



**Consolidated Interim Financial
Report
at 30 June 2015**

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II. Corporate boards

Board of Directors

Chairman

Paola Muratorio

Deputy Chairman

Carlo Michelini

Chief Executive Officer

Michele Enrico De Censi

Directors

Matteo Ambroggio

Elis Bontempelli

Matias Sebastian Burghardt

Rita Ciccone

Stefano Mion

Luca Galli

Giuseppe Picco Rogantini

Stephan Fedrigo

Board of Statutory Auditors

Chairman

Marco Antonio

Modesto Dell'Acqua

Regular auditors

Gian Luigi Gola

Marco Giuliani

Substitute auditors

Andrea Cioccarelli

Giuseppe Panagia

Independent Auditors

PricewaterhouseCoopers
S.p.A.

Directors' Report

1. Macroeconomic scenario

The Economic Bulletin of the Bank of Italy for the first half of the year describes the Italian macroeconomic scenario as being in recovery as compared to the recent past. The improvement of the confidence indices of companies and families was accompanied by tentative signs of recovery of domestic demand in the housing sector, which once again became a contributor to growth. Investments, which had been decreasing almost without interruption since 2008, recorded an increase, with first optimistic signs also coming from the construction sector, on which the development of the gas distribution network and new connections to the network itself depend.

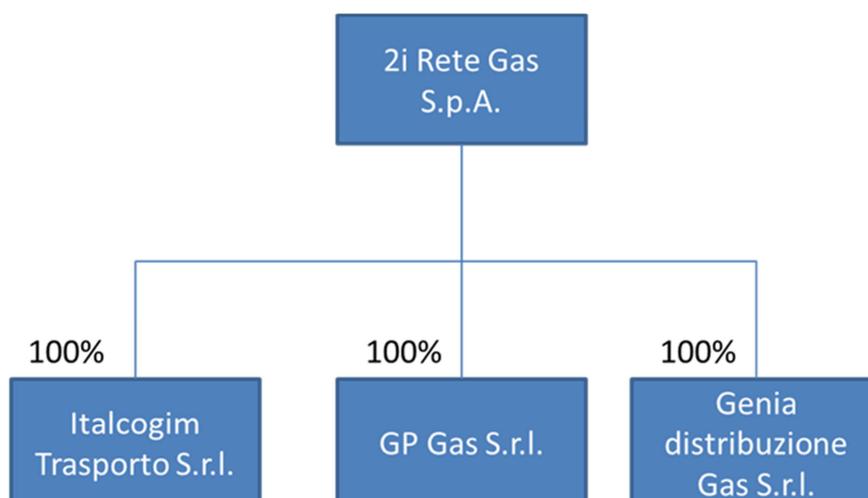
Nevertheless, certain more specific indicators of the distribution sector have still to improve (new cable laying/connections were furtherly reduced and activities associated with end customers in arrears increased).

Though this does not directly impact the Group's income statement significantly, we furthermore note that the first half of 2015 ended for the first time since 2009 with the recovery of consumption at the national level; this is due to both market conditions and favourable weather. This figure has increased compared to June 2014 by 7.9%, with 35,539 million cubic meters consumed to June 2015 as compared to 32,922 million cubic meters in the same period of the previous year.

No tender for local areas was called in the first half of 2015, despite some municipalities activating the procedures to request essential data from operators in order to proceed with an assignment by means of an area tender.

2. Group structure and key figures

The following graph presents the situation of the Group at 30 June 2015:



Regarding the operating and financial highlights of the Group, the following table shows the key operating, economic and equity indicators of the Group at 30 June 2015:

	30.06.2015	31.12.2014	30.06.2014
Active concessions:	1,940	1,940	1,942
Active redelivery points:	3,811,814	3,813,598	3,833,661
Distributed Gas (Natural gas and LPG) in millions of cubic metres:	3,183	4,978	2,899
EBITDA in millions of euro:	195.1	361.7	172.5
Net income in millions of euro:	41.5	12.0	(28)
Managed networks in kilometers:	57,496	57,349	57,355

	30.06.2015	31.12.2014	30.06.2014
Net financial position in millions of euro:	1,964.3	1,992.8	1,938.7
Net invested capital in millions of euro:	2,581.9	2,633.7	2,569.0

3. Significant events during the reporting period

On 1 January 2015, following the resolutions of the shareholders' meetings held in November 2014, F2i Reti Italia S.r.l. and 2i Rete Gas S.p.A. were merged; upon conclusion of this merger, F2i Reti Italia (the incorporating company) changed its name to 2i Rete Gas S.p.A.

In June 2015, as part of the annual ratings review by Standard and Poors and Moody's, the company presented to the two rating agencies the progress of its own business and the fundamental parameters underlying its financial strength. Upon completion of that review,

both agencies confirmed the rating attributed in 2014 (respectively, BBB Stable Outlook and Baa2 Stable Outlook) increasing S&P's rating of the "liquidity profile" from "adequate" to "strong" thereby confirming the stability of the course undertaken by the company.

No acquisitions took place in the first half of the year.

4. Results of the 2i Rete Gas Group

When commenting its economic and equity data, the group uniformly and continuously avails of certain widely used indicators, which are not provided for or otherwise defined by the IAS/IFRS. In particular, in the income statement interim results are provided, such as EBITDA and EBIT, which result from the algebraic sum of the items preceding them. At the equity level, similar considerations apply to the net invested capital, the net financial position, the adjusted financial position and the accounting net financial debt, the components of which are listed in the tables that follow below.

As they do not derive from the reference accounting standards, the definition of the indicators used by the Group may not be aligned with those adopted by other companies/groups and therefore they may not be comparable.

The result from operations for the year is shown in the table below and has been obtained by reclassifying the income statement data in accordance with operational criteria compliant with international practice and keeping the accounting method in compliance with IFRIC 12

Millions of euro	30.06.2015	30.06.2014	Change
Revenues	407.2	378.2	29.1
Transport and sale of methane gas and LPG	281.1	275.1	6.1
Connection fees and accessory rights	9.4	10.1	(0.7)
Other sales and services	10.3	9.0	1.3
Revenues from intangible assets/assets under cor	71.3	51.9	19.4
Other revenues	35.1	32.1	3.0
Operating costs	(212.1)	(205.7)	(6.4)
Labour costs	(61.3)	(60.2)	(1.0)
Raw materials and inventories	(27.5)	(15.6)	(11.9)
Services	(94.9)	(99.1)	4.2
Other costs	(24.2)	(23.6)	(0.5)
Allocations to provisions for risks and charges	(4.4)	(7.2)	2.8
Increase in fixed assets not subject to IFRIC 12	0.0	-	0.0
EBITDA	195.1	172.5	22.6
Amortisation, depreciation and write-downs	(78.4)	(70.6)	(7.8)
Amortisation, depreciation and impairment losses	(78.4)	(70.6)	(7.8)
EBIT	116.8	101.9	14.8
Net financial income (expenses) and income (expenses) from equity investments	(22.8)	(162.5)	139.7
Pre-tax income	93.9	(60.6)	154.5
Income taxes for the period	(52.5)	32.2	(84.7)
Net result from continuing operations	41.5	(28.4)	69.9
Net result from discontinued operations	-	-	-
Net income for the period	41.5	(28.4)	69.9

We remind that the IFRIC 12 standard, on which presentation of the consolidated half year report is based, does not affect profitability but only recognition of revenues and costs relating to the construction of distribution network infrastructures; to facilitate analysis of operating changes, we provide below a summary table containing the consolidated revenues and costs, net of the effects of IFRIC 12 application.

Millions of euro	30.06.2015	30.06.2014	Change
Revenues	335.9	326.3	9.6
Transport and sale of methane gas and LPG	281.1	275.1	6.1
Connection fees and accessory rights	9.4	10.1	(0.7)
Other sales and services	10.3	9.0	1.3
Revenues from intangible assets/assets under con	-	-	-
Other revenues	35.1	32.1	3.0
Operating costs	(140.8)	(153.8)	13.0
Labour costs	(45.0)	(47.7)	2.7
Raw materials and inventories	(4.5)	(4.7)	0.2
Services	(63.0)	(70.7)	7.7
Other costs	(23.9)	(23.5)	(0.4)
Allocations to provisions for risks and charges	(4.4)	(7.2)	2.8
Increase in fixed assets not subject to IFRIC 12	0.0	-	0.0
EBITDA	195.1	172.5	22.6

Total revenues of 407.2 million euro rose by 29.1 million euro, 6.1 million of which were due to higher revenues from the transport of natural gas and LPG, worth 281.1 million euro in the first half of 2015.

The higher revenues from transport are connected to a tariff adjustment relating to the 2014 Tariff Revenue Cap of 5.1 million euro and a slight increase of the Cap itself for 2015. The volumes for the half year totalled 3,183 million cubic meters of gas (natural plus LPG) as compared to 2,899 million cubic meters at 30 June 2014.

The connection fees and accessory rights totalled 9.4 million euro, were furtherly down by 0.7 million euro compared to the same period of the previous year (10.1 million euro) due to the final effects from the slow domestic economy of the last years.

The revenues from other sales and services, totalling 10.3 million euro, increased compared to the previous year by 1.3 million euro mainly due to an increase in the invoicing component related to collection of municipal costs and increased invoicing for suspension and reactivation of customers in arrears upon request of the selling company.

Other revenues, different from the above, amounted to 35.1 million euro. They increased by 3.0 million euro compared to the previous year, essentially due to the partial recognition by the arbitration board of the Company's positions in relation to GDF Suez Italia in the arbitration that was initiated following the purchase of G6 Rete gas against 7.2 million euro, accompanied by lower revenues for energy efficiency certificates due to the lower certificate purchases made in the period of 4.6 million euro; the incentive bonuses on technical quality were higher than those achieved in the first half of last year, while there

were lower capital gains from assets, due to the limited number of licenses renewed, for which the redemption value was paid to the exiting operator.

Finally, the higher investments in the half year, mainly on electronic meters, led to the recognition of revenue (as provided by IFRIC 12) of 71.3 million euro under the item "revenues from intangible assets / assets under construction" resulting in an increase of 19.4 million euro compared to the same period of last year.

The operating costs, totalling 212.1 million euro, increased by 6.4 million euro, with an overall impact on the various costs pursuant to IFRIC 12 of 71.3 million euro for the current year (51.9 million in the previous year). Net of the above, there was an improvement in operating costs of 13.0 million euro.

In particular, the gross labour cost totalling 61.3 million euro, increased by 1.0 million euro compared to the previous year due to the effect of the costs incurred for investments during the period, which are presented here as required by IFRIC 12. Without this effect, the change would actually be equal to 2.7 million euro (45 million euro in 2015 as compared to 47.7 million euro in 2014), mainly due to higher internal capitalization.

The cost for raw materials has increased by 11.9 million euro; net of the effect of IFRIC 12, the change would be positive by 0.2 million euro, from 4.7 million euro in the first half of 2014 to 4.5 million euro in the same period of 2015.

Costs for services at the consolidated level fell by 4.2 million euro.

The analysis net of IFRIC 12 effects results in total cost savings of 7.7 million euro, from 70.7 million euro to 63.0 million euro in the first half of 2015. This improvement mainly arises from improvement work and insourcing of the transport and information technology operations.

After allocations to the provisions for risks and charges of 4.4 million euro relating to the review of rents paid for concessions required by certain municipalities in addition to lawsuits under way, the EBITDA is equal to 195.1 million euro, up by 22.6 million euro compared to the previous year (172.5 million euro) following the combined effect of the higher revenues from transport and the lower operating costs (once cleared of the IFRIC 12 effect).

The amortisations, depreciations and write-downs totalled 78.4 million euro, higher than the first half of 2014, and they are mainly relating to the amortisation of intangible fixed assets. A review of the realisable value of the intangible fixed assets began as from 31 December 2014, pursuant to the treatment provided for by IFRIC 12 in order to implement

the review of the useful lives and therefore of the meters' redemption values as required by the AEEGSI.

EBIT totalled, therefore, 116.8 million euro while in the first six months of 2014 it amounted to 101.9 million euro. The notes accompanying the EBITDA are also applicable to the EBIT.

Net financial expenses totalled 22.8 million euro, decreasing by 139.7 million euro as opposed to the previous year. We remind that in the first half of 2014 this item was heavily impacted by the refinancing which was approved by the Board of Directors in June 2014.

Indeed, this decision resulted in the recognition of higher financial expenses of 18.4 million euro, due to the review of the measurement of the amortised cost of the existing loan in order to consider the differing expiry times, as well as the recognition of financial expenses of 95 million euro relating to the fair value measurement of the existing IRS (Interest Rate Swap) derivatives which are no longer classifiable as "hedging" instruments pursuant to IAS 39.

The lower cost of debt arising from the new financial structure in existence since July 2014 is also added to this effect.

The result before taxes, which is a profit of 93.9 million euro, consequently represents an increase of 154.5 million euro, which is attributable to the impact described above of the improvement of the financial expenses and the higher EBITDA.

The income taxes for the period have negatively impacted the Group accounts by 52.5 million euro, also due to the effect of the adjustment, made entirely in the first half of 2015, of the values of the deferred tax assets and liabilities, to take into account ruling no. 10/2015 of the Constitutional Court, which declared the illegitimacy of the so called Robin Hood Tax. «The taxes were positive by 32.2 million euro in the first half of 2014, mainly on account of recognition of deferred tax assets, following the financial expenses incurred for the refinancing operations.»

The result for the period is therefore positive by 41.5 million euro, with a 69.9 million euro improvement compared to the previous year.

The financial position in the period is shown in the table below. This was obtained by reclassifying the data from the statement of financial position in accordance with operational criteria.

Millions of euro	30.06.2015	31.12.2014	Change
	A	B	A-B
Net fixed assets	2,558.7	2,549.9	8.8
Property, plant and equipment	43.6	40.8	2.8
Intangible assets	2,773.2	2,765.3	7.9
Investments	3.3	3.3	0.0
Other non-current assets	24.0	23.8	0.2
Other non-current liabilities	(285.4)	(283.3)	(2.1)
Fair value of derivatives	43.6	78.8	(35.2)
Net working capital:	11.7	7.8	3.9
Trade receivables from third parties and the Group	126.1	213.6	(87.5)
Net receivables/(payables) for income taxes	3.0	21.7	(18.6)
Other current assets	181.1	163.1	17.9
Trade payables to third parties	(142.4)	(184.2)	41.8
Other current liabilities	(135.9)	(143.2)	7.3
Gross invested capital	2,602.3	2,628.7	(26.4)
Other provisions	20.4	(5.0)	25.4
Termination and other employee benefits	37.9	39.1	(1.1)
Provisions for risks and charges	71.8	69.2	2.6
Net deferred taxes	(89.3)	(113.2)	23.9
Net invested capital	2,581.9	2,633.7	(51.8)
Equity	617.6	640.9	(23.3)
Net Financial Position	1,964.3	1,992.8	(28.5)

Net fixed assets, mainly consisting of intangible assets for gas distribution concessions, totalled 2,558.7 million euro, up by 8.8 million euro compared to 31 December 2014, as noted below.

The rise recorded in the item "Intangible assets" of 7.9 million euro was the net result of new investments of 87.9 million euro, in addition to decreases of 3.3 million euro, reclassifications of 1.9 million euro and amortisation in the year of 74.8 million euro.

The increase in the item "Property, plant and equipment" of 2.8 million euro was due to new investments (3.2 million euro), reclassifications (1.9 million euro) and depreciation (2.3 million euro).

Equity investments remain unchanged at 3.3 million euro, while the increase in the "other non-current liabilities," equal to 2.1 million euro, is due to the higher medium – long-term prepaid expenses for connection fees, property developments, equipment transfers and network extension.

The net working capital of 43.6 million euro has decreased significantly by approximately 35.2 million euro, compared to 31 December 2014, mainly on account of the seasonality of the receivables which is only partially balanced by the seasonality of the company's payables.

Therefore, due to the combined effect of the changes in the net long-term assets and the net working capital, the gross invested capital decreases from 2,628.7 million euro in the previous year to 2,602.3 million euro as at 30 June, a decrease of 26.4 million.

The various provisions, the overall balance of which is positive by 20.4 million euro, have increased overall by 25.4 million euro, mainly due to the change in the provision for net deferred taxes of 23.9 million euro, which was significantly affected by the restatement of the amount of this item after the Robin Hood Tax was declared illegitimate in February 2015; the effect of this was equal to 24.9 million euro.

Net invested capital, therefore, decreased from 2,633.7 million euro in the previous year to 2,581.9 million euro, down by 51.8 million euro.

Equity fell from 640.9 million euro in 2014 to 617.6 million euro at 30 June 2015, due to the net impact of the following changes:

- decrease of 65.1 million euro following the payment of ordinary dividends;
- increase of 0.3 million euro as a change in the IAS reserves due to the discounting net of the tax impact, of the liabilities for termination and other benefits payable to the employees at the end of their employment relationship, as required by IAS 19;
- an increase of 41.5 million euro following recognition of the result at 30 June 2015.

The net financial position moves from 1,992.8 million euro in 2014 to 1,964.3 million euro at 30 June 2015, due to the positive result of operations in the first half of the year, in line with the seasonal trend.

The following table shows the reconciliation of net debt and net financial position, as well as the breakdown of the items making up the two balances:

Millions of euro	Note	30.06.2015	31.12.2014
Medium/long-term bank loans	25	(210.0)	(214.1)
Medium/long-term debenture loans	25	(1,890.0)	(1,890.0)
Cash and cash equivalents with third parties	21	141.8	108.5
Short-term financial receivables	19	4.0	1.0
Other current financial assets	20	0.0	0.0
Short-term payables due to banks	30	0.0	(7.8)
Non-current financial assets	15	0.2	0.7
Non-current financial liabilities	28	0.0	0.0
Current financial liabilities	35	(34.2)	(15.6)
Net financial position - Adjusted		(1,988.1)	(2,017.4)
Non-current financial assets - costs on loan	15	4.9	7.3
Adjustment of payables due to costs on loan (IAS 39)	31	0.0	0.0
Current portion of medium/long-term loans	31	0.0	0.0
Adjustment of payables due to costs on loan (IAS 39)	25	18.8	20.3
Loan fees due	25	0.0	(3.1)
Net Financial Position		(1,964.3)	(1,992.8)
Fair value of derivatives - positive	20	0.0	0.0
Fair value of derivatives - negative	35	0.0	0.0
Residual payable for Unwinding IRS, short-term portion	35	0.0	0.0
Residual payable for Unwinding IRS, long-term portion	28	0.0	0.0
Net debt		(1,964.3)	(1,992.8)

5. Regulatory and tariff framework

In the first half of the year, the application of the distribution and metering tariffs continued pursuant to the new principles introduced for the fourth regulatory period (2014-2019) which provide for updating of the WACC every two years. This was once again set for 2015 at 6.9% for the distribution operations and 7.2% for the metering operations. Regarding the investments and the contributions, the "final" annual reporting for determination of the net invested capital for distribution and metering shall take place in the upcoming month of October, calculating the movements of the previous year (t-1) for an updated representation of the values of the RAB (Regulatory Asset Base).

Furthermore, in every single municipality, the option allowed pursuant to resolution 455/2014/R/gas regarding the "stock" treatment of the contributions (up to 2011) was exercised; there are two methodologies applicable to this: the contributions do not decrease and the amortisations are calculated gross of the contributions or the contributions decrease gradually so that the amortisations are calculated net of the contributions themselves (majority option). The contributions received outside of the "stock" decrease the value of the fixed assets both for determination of the RAB and calculation of the amortisation.

The operating costs recognized based on the initial operating cost levels established in the resolution, recognized on the basis of the size of the company and the density of the service provided, were subject to an x-factor of 1.7% for the distribution service and 0% for the other services.

In the last days of 2014, the Authority published the mandatory tariffs for distribution and metering of natural gas and the various gas tariff options for 2015 with its resolution 634/2014/R/gas. The same resolution set the maximum amount that is possible to include in the tariff of the higher costs arising from the presence of concession fees (COL) payable to the municipalities pursuant to article 46 bis of Legislative Decree 159/07, beginning in 2015.

Again in the first half of 2015, the Authority issued resolution 89/2015/R/GAS for the redetermination of the tariffs of certain operators for the years 2009-2013 and certain material errors in resolution 634/2014/R/gas were rectified. Furthermore, with resolution 90/2015/R/GAS, the Authority determined the "final" reference tariffs for gas distribution and metering services for 2014, based on the provisions of article 3, paragraph 2, letter b), of the RTDG, calculated based on the accumulated equity information relating to 2013.

Furthermore, with resolution 147/2015/R/gas, the Authority determined the "provisional" reference tariffs for gas distribution and metering services for 2015, based on the provisions of article 3, paragraph 2, letter a), of the RTDG, calculated based on the preliminary equity information relating to 2014.

Regarding the communication provided on 10 December 2014 on the outcomes of the inspection carried out in June 2011 on the correct application of the tariff provisions, the company is waiting to receive the final notifications regarding the clarifications and specifications produced in the second half of the year, in support of the municipally owned assets of certain towns.

It is hereby recalled that the company has nevertheless established a provision for risks to cover any resulting liabilities.

Regarding the regulatory aspects, the appeal pending before the TAR of Lombardy, Milan section, against resolution 241/2013/R/gas and subsequent deliberations concerning default, which established more stringent obligations for the distribution companies regarding the closure of redelivery points due to delays in payment and the court initiatives for forced interruption of the supply, was rejected on 2 March 2015. 2i Rete Gas appealed this decision before the *Consiglio di Stato* on 2 March 2015; the company is awaiting the setting of the hearing date.

6. Development work and management of concessions

The competitive bidding market for the methane gas distribution service during the first half of 2015 saw only one call for tenders per individual concession. Indeed, it is hereby

recalled that Legislative Decree 93 of 1 June 2011 (the "Third Energy Package") blocked new calls for tenders which did not refer to minimum territorial areas [Ambiti Territoriali Minimi (ATEM)].

Thanks to the intense activity of the Ministry of Economic Development and the AEEGSI, the regulatory framework was recently completed with publication on 14 July 2015 of Ministerial Decree 106/15 that integrates and amends Ministerial Decree 226/11, but nevertheless no calls for tenders for ATEM have been announced to date.

Calls for ATEM tenders should be announced shortly (save for further postponements), as the last deadline for publication of the call for tenders for the first ATEM grouping of 11 July of this year has already passed, after which the reserve power of the Region enters into effect, or, if the Region does not undertake any action, then the Ministry of Economic Development is entitled to do so.

In any case, for the first two groups, the "penalty" of 20% of the amounts due to the municipalities for the contracting authorities that do not comply with the deadlines for publication of the call for tenders will begin only after 31 December 2015.

6.1 Participation in calls for tenders

In the first half of 2015, only one new call for tenders was announced per individual municipality, for awarding of the methane gas distribution service to the municipality of the Castel San Giorgio (SA), which 2i Rete Gas S.p.A did not participate in.

6.2 Concessions awarded

Regarding the call for tenders for awarding of the natural gas distribution service to the municipalities of the Como and San Fermo della Battaglia (approximately 44,600 end users), on 4 November 2014, the *Consiglio di Stato* rejected the appeal made by ACSM-AGAM Reti Gas S.p.A., confirming the award which 2i Rete Gas S.p.A had received in 2013.

On 30 December 2014 2i Rete Gas S.p.A served the appeal to the municipalities of the Como and San Fermo della Battaglia seeking compliance with the above mentioned ruling of the Council of State, but on 27.05.2015 the Lombardy TAR declared the appeal of 2i Rete Gas S.p.A. inadmissible. Contacts are currently being made with the Municipal Administration in order to arrange the replacement of the departing operator.

On 13 November 2014, 2i Rete Gas S.p.A. received from the municipality of Rozzano communication of the positive outcome of the verification of the requirements declared in the bidding process, as required by the ruling of the *Consiglio di Stato*, which determined the ineffectiveness of the contract stipulated with GasPiù Distribuzione S.r.l., concurrently establishing the right of 2i Rete Gas S.p.A. to be awarded the natural gas distribution service for approximately 19,000 end users. Given the Municipal Administration's failure to

act, 2i Rete Gas S.p.A. petitioned for compliance with the ruling of the *Consiglio di Stato* and the hearing was set for 27 October 2015.

On the other hand, regarding the call for tenders for the natural gas distribution service in the municipality of Mirabello (approximately 1,650 end users), on 30 April 2015 the *Consiglio di Stato* admitted the appeal made by 2i Rete Gas S.p.A. for the declaration of the illegitimacy of the ruling handed down by the TAR of Emilia-Romagna which had cancelled the tender procedure, confirming the final award to 2i Rete Gas S.p.A., which had received it in 2011. Contacts are underway with the Municipal Administration in order to arrange replacement of the departing operator

The signature of the new contract for the Municipality of Castronno concession (approximately 2,200 end users), which had already been awarded through a tender procedure in 2011, has yet to take place.

6.3 Concessions lost

Regarding the tender for awarding of the natural gas distribution service announced by the municipality of Pieve Vergonte (VB), in association with the municipalities of Anzola d'Ossola, Ornavasso, Piedimulera, Premosello Chiovenda e Vogogna (a total of approximately 5,800 end users), Molteni S.p.A. has yet to sign the relative service contract, despite the fact that the final award took place in 2011. 2i Rete Gas therefore continues operation thereof, pursuant to article 14 co. 7 of legislative Decree 164/00.

Regarding the call for tenders for awarding of the natural gas distribution service announced by the municipality of Manfredonia (FG) (approximately 16,000 end users), on 24 June 2014, following the discussion of the appeal made by 2i Rete Gas S.p.A. against exclusion from the call for tenders and the appeal made by Gas Natural Distribuzione Italia S.p.A. (the runner up following the exclusion of our company), the TAR of Apulia ordered the AEEGSI to carry out a technical verification, the positive outcome of which was communicated on 5 February 2015. With ruling 1150 of 29 July 2015, the TAR of Apulia accepted the appeal made by 2i Rete Gas, cancelling the exclusion from the call for tenders due to irregularity of the offer and the consequent award to Gasman. This decision will have to be executed by the administration which will therefore have to renew the verification of the irregularity in compliance with the principles set forth in the ruling.

6.4 Activities preliminary to the ATEM tenders

Given the expected publication of the calls for tenders for ATEM in the second half of 2015, the Group has been actively preparing and transmitting all the necessary documentation to the Municipal Administrations and/or the Contracting Authorities which have requested this material in order to draft and subsequently publish the call for tenders.

This is preliminary information which must be updated when the actual tender takes place, and is provided for by article 4 of Ministerial Decree 226/2011 as is the refund payable to the outgoing operator as provided by article 5 of said Decree, calculated according to the methodologies set forth in the latest provisions of the law applicable as at the time of publication and the consistencies available as at that date.

6.5 Disposals of assets

It is hereby noted that on 18 March 2015, 2i Rete Gas S.p.A. signed with Autogas Nord S.r.l. the agreement for the sale of the LPG distribution service facilities located in the municipality of Isola del Cantone (GE) (23 end customers), while concurrently delivering the facility for launching the new operation beginning from 19 March 2015.

7. Support for gas transport activities

7.1 Main Regulatory Changes

In the first half of 2015, the AEEGSI issued numerous regulations.

We note the following due to their significance to the activities carried out by the "Commercial Network Services:

- resolution 117/2015/R/gas of 19/03/2015 which reforms the regulation regarding the metering of redelivery points of the gas distribution network
- resolution 258/2015/R/eel of 04/06/2015, which amends and integrates the rules regarding payment delays in the electricity and natural gas sectors.

The implementation phase of the regulatory amendments which entered into effect and are described in further detail in the paragraphs below was concluded with success, while to date the internal actions aiming to implement the processes connected to the regulations that will enter into effect from the second half of 2015 are under way.

7.2 In-sourcing of the commercial operations of Genia Distribuzione

The first quarter of 2015 marked the beginning of the project for the in-sourcing of the gas distribution commercial operations as part of the "Network Commercial Services" of the subsidiary Genia Distribuzione Gas S.r.l. with 17,075 active customers.

The in-sourcing process was concluded successfully on 1 April 2015.

7.3 Relations with Traders and Customer Care

Commercial quality

The commercial quality level is measured by means of a general corporate index which shows the percentage of services not carried out within the standard times set by the AEEGSI, in reference to connections, reconnections, disconnections, quotes and execution of both simple and complex work.

The general index of "non-standard services" of a specific level, for service quality parameters purposes, achieved in the first half of 2015 was equal to 0.37%.

This index was calculated considering also the non-standard items attributable to the partial unavailability of the information platforms which took place between 23 December 2014 and 5 January 2015, prior to the in-sourcing of the corporate information systems.

Specifically the final values of the specific indicators for "non-compliant" services are as follows:

Connections	0.65%
Execution of simple work	0.66%
Quotes	0.14%
Reconnections for delinquent customers	0.34%
Disconnections at customer request	0.07%
Execution of complex work (not subject to compensation)	1.95%

Monitoring for the processes governed by resolution 574/13 furthermore shows that the "Respect of Appointments" indicator is at 0.02% (27 non-standard) on 162,037 services carried out.

Management of complaints

The main areas on which requests for information and/or complaints were received from end customers are the following:

- Verification of metering and reconstruction of consumption
- Information regarding the ownership of the redelivery point
- Clarifications regarding the execution of accessory services, particularly with regard to activations referring to Resolution AEEGSI 40/14.

In the first half of 2015, the 2i Rete Gas group managed 1818 written complaints and requests for information in addition to requests from the AEEGSI which were received through companies authorized to sell gas.

Replies were prepared to 338 requests from the AEEGSI-Consumers Affairs Department for complaints which the latter had received directly. This service has been created in 2009 to assess requests and notifications by end customers.

Finally, there were 1,396 requests for technical data which can be acquired through a meter group reading (M01), and 2,605 requests for other technical data (M02).

7.4 Front Office

The management activities referring to commercial services required by the sales companies took place, in continuation of the information provided in 2014, almost exclusively through the Four portal; this instrument has now been adopted by most of the sales companies, both in the "web" solution as well as in its "application to application" solution.

The processes for activation of last resort services, supply of last resort (Fui) and default service (Default), experienced a significant increase in the same period, mainly due to the delays in the payments of the end customers to the respective sales companies.

Indeed, the latter can terminate the supply contract with the end customer, even without closure or interruption of the supply due to technical and/economic reasons, taking advantage of their right to terminate their ownership which can be transferred to the competent supplier of the last resort.

On 30 June 2015, the redelivery points for which last resort services were in effect were respectively 14,800 (FUI) and 5,604 (Default).

Continuing from 2014, the activity carried out in compliance with the applicable laws on the switching off of the redelivery points under the Default Distribution regime continued normally.

There were 32,000 requests for a supplier change per month on the average, totalling 192,000 switching requests.

Pursuant to resolution AEEGSI 296/2014/R/com, which introduced the SII "Integrated Information System," during the first quarter, on a monthly basis, the updating of the official central register of personal data related to the redelivery points connected to the 2i Rete Gas distribution network was carried out, on the portal provided to the Single Buyer, who manages this service.

From 1 April 2015, the "on condition" updating procedure entered into operation, based on which the data related to each redelivery point can be updated within a maximum time of two business days, only if one or more of the same data items changes.

Furthermore, during the half year, the functionalities related to the new communication standard were implemented successfully, pursuant to resolution 11/2014 of 31 July 2014, which set the operating and technical instructions to use for exchanges of information in the natural gas sector.

The switching process pursuant to resolution 117/2015/R/gas of 19/03/2015 was adopted; based on this resolution, effective from 01/07/2015, the procedures and timelines for provision of the switching reading were amended.

Finally, the analysis activities began for subsequent implementation of regulatory amendments introduced by the Resolution 258/2015/R/eel of 04/06/2015, which will enter into effect on various dates.

The main impacts will refer to the management of delayed payment processes, with related amendments to the procedures and timelines of the switching process and the timelines of the redelivery point ownership change processes, including the prices of activating the last resort services.

7.5 Gas invoicing and Balancing

Invoicing of Transport and Services

During the half year, in compliance with the timelines set by the provisions of Resolution 573/2013/R/gas of 12/12/2013, the calculation engine for invoicing of the transport service was adjusted beginning 1 January 2015.

The main new areas referred to:

- introduction of stepped differentiated consideration for fixed distribution amounts and metering based on the meter calibration class
- introduction of stepped differentiated consideration for variable portions of distribution
- the introduction of two new fixed components of the mandatory tariffs for the distribution service, covering, respectively, the tariff discount pursuant to the future tenders to be held (this is still to be defined) and coverage of the differences between realisable value of concessions (VIR) and RAB.

Furthermore, implementation began for adjustment of the invoicing processes for the accessory services, pursuant to the provisions of Ministerial Decree D.M. 55/2014, which defined the technical rules and identified, for public administration categories, the dates on which the obligation to issue invoices electronically will enter into effect. Finally, the analysis activities began for subsequent implementation of regulatory amendments introduced by Resolution 258/2015/R/eel of 04/06/2015, which will enter into effect on various dates.

The main impacts are on the processes for management of payment delays, with the related amendments to the procedures for defining the compensation to apply to the distribution company in the event of failure to comply with the terms and conditions set by the applicable laws on communication and execution of services and the concurrent introduction, for the distribution company, of a 50% reduction of the invoicing for the transport service with regard to the redelivery points for which the scheduled suspension and interruption interventions did not take place.

Gas Balances

The delivery to the National/Regional Transporters of the data relating to the adjustment session for calendar year 2013 was finalized in February. This deadline was originally set for 31 July 2014, in compliance with the resolution 534/2013/R/gas "Procedures and deadlines for re-determination of the balancing sessions carried out in 2013."

The implementation related to adjustment of the calculation engine for monthly balances was finalized upon entry into effect of resolution 117/2015/R/gas of 19/03/2015, which establishes, among other things, the obligation to read on a monthly basis and provide daily details for the redelivery points with the metering groups equipped with a deployed "smart meter" (class higher than/equal to G10) and consequent use of readings in the commercial processes.

7.6 Metering

The entry into effect of resolution 117/2015/R/gas of 19/03/2015, which, with different application deadlines, reforms the regulation on metering of redelivery points of the gas distribution network, introduces significant amendments regarding the procedures applied by the distribution company for recording and providing the data, in order to increase transparency and reduce information imbalances between the distributor and the seller.

Regarding the metering performance, the activities of recording the related data were concluded, in compliance with Resolution AEEGSI 574/2013.

Fulfilment of the regulatory obligations provided the opportunity to create appropriate indicators and monitoring instruments so as to initiate corrective actions as needed.

8. Plant construction, environment and safety

8.1 Gas distribution plant

The total networks laid by the 2i Rete Gas Group in the first half of 2015 were approximately 50 km of which over 90% in polyethylene.

In particular, we note certain interventions which took place as a consequence of the conventional obligations as follows:

- Municipality of Laveno Mombello (VA) extension of the network by approximately 2 km;

- Municipality of Castelnovetto (PV) extension of the network by approximately 5 km;
- Municipality of Camaiore (LU) extension of the network by approximately 7 km;
- Municipality of Aprilia (LT) extension of the network by approximately 3.5 km;
- Municipality of Isernia extension of the network by approximately 2.5 km;

Furthermore, as part of the plan for the replacement of the cast iron piping with lead and jute caulking, approximately 350 metres were eliminated in the municipality of Salò.

8.2 Service continuity and safety

As usual, by 31 March 2015 the reporting was carried out on the technical standards related to 2014 in compliance with the rules established by the AEEGSI in resolution 574/13 which from 2014 on replaced, for the management of the continuity and safety of the service, the previous regulation 120/08.

The main managed parameters relate to services showing the operator's ability to promptly intervene in potentially dangerous situations (number of emergency interventions, intervention time), or to organise and carry out preventative checks to ensure correct monitoring of safety conditions (percentage of network subject to inspection, odourisation of gas, percentage of network with cathodic protection).

In general, the reported data, in keeping with what has happened in previous years, showed a high level of performance in terms of quality compared to the minimum performance required in the aforementioned resolution.

8.3 Resolution no. 155/08 – (Smart meters)

In 2015, the plan for the installation of the mass market meters continued. This involved an initial grouping of 23 municipalities in Italy and was subsequently extended to a total of 70 municipalities.

In the meanwhile, the activities of the Avogadro Project continued related to the pilot installation of integrated "mass market" meters in the city of Biella.

The activities carried out as part of the Avogadro Project made it possible to monitor, in the field, the radio communication procedures between meters and condensers via the transmission frequency of 169 MHz, thereby enabling assessment of the level of efficiency, reach and strength of the infrastructure.

The confirmation of the validity of the infrastructure models selected and the challenging objectives set by the Authority, led the 2i Rete Gas Group to initiate the "Gas Remote Management G4-G6 Project" in 2014. The purpose of the project was to set up and support a mass plan for installation of domestic meters as provided by the regulatory deadlines; the project activities were pursued in the first half of 2015 as per schedule.

In the first half of 2015 over 150,000 of the new mass market meters were installed bringing the total to 220,000 electronic mass market meters installed.

Finally, regarding the higher "industrial" category meters, in 2015 to the adjustment to the meter directive for classes G10, G16 and G25 continued. In particular, the adjustment activities continued regularly throughout Italy with over 11,000 metering groups adjusted during the year with integrated meters by the end of the first half of 2015

Indeed, the adjustment of classes G16 and G25 continues normally and should be completed by the end of 2015. Regarding the adjustment of class G10, the objectives for which were set by the Authority for the end of 2015 (deployment of at least 30% of the meters in this category) have been slightly exceeded.

At the end of the first half of 2015, over 65,000 industrial meters were read remotely, 1/3 which through the add-on solution and 2/3 with the integrated meters.

8.4 Planning activities

The technical activities preceding the upcoming tenders (ATEM), which consist in collecting the detailed information for technical verifications on 2iRetegas plants, are related to the areas of interest and for which the next tender is to be called.

These activities, which are currently underway, mainly refer to the calibration of the network distribution structures and verification of the potential of the pressure reduction stations.

9. Water Sector

The management of the potable water in 11 municipalities in which the company is still present continued. It is hereby noted that to this end, on 25 May 2015 2i Rete Gas S.p.A. signed with ACEA ATO 2 S.p.A., the single operator of ATO 2 Lazio Centrale-Rome, the agreement for the disposal of the integrated water service plants in the municipality of Colferro (Rome) (approximately 8,600 end customers) and the launch of the new management by ACEA ATO 2 S.p.A. beginning on 26 May 2015.

10. Quality, Safety and Environment

The overall summary assessments on the compliance and efficacy of the company management system are the following:

The integrated QSA system is considered to be active and compliant with the reference standards and able to fulfil the requirements of customers. The safety management is effective and disseminated throughout all levels of the organization. The improvement objectives have been identified and pursued. The indicators prescribed by the AEEGSI are complied with.

STRENGTHS

- Active participation in the management of staff and personnel at all levels.
- A feeling of belonging and the technical skills of the personnel.
- The usage of the integrated management system as an instrument to handle critical issues.
- Coherence and application of the procedures throughout the territory.
- Insourcing of the Transport and the Information Services.
- Planning and management of internal audits and comments upon completion thereof.

In the first half of 2015, activities inherent in the revision of the documentary set up of the new integrated QSA system continued. This system provides for realignment of the documents with the new corporate organization, so as to integrate the systems deriving from the three previous companies.

10.1 Prevention and protection service

Regarding the merger by incorporation of 2i Rete Gas and certain new risk assessments, the prevention and personnel division manager has drafted, together with the employers, the risk assessment documents for each individual Production Unit, for the respective production units of the headquarters and throughout the territory.

Trend in injuries:

Regarding accidents to employees, this trend in the first half of the year, compared with the previous year, is decreasing as compared to the previous results achieved.

In the first half of 2015, in fact, there were 8 "non serious" accidents (that is with prognosis in line with the first certificate, lower than 30 days) while the number of accidents defined as "serious" remained at zero (that is with prognosis in line with the first certificate, higher than 30 days).

In collaboration with RSPP, the QSA structure aims to reach the "zero accident" objective and pursues the internal audit activity regarding occupational safety at the territorial structures while performing checks while work is ongoing at active sites opened by the contracting businesses.

During 2015, the health surveillance continued, guaranteeing oversight of the program provided according to the indications, which emerged from the risk assessment and based on the correlated health protocol.

10.2 Environmental issues

The QSA structure guarantees constant monitoring of the significant environmental aspects and ensures that the company is in line with the changes in the major regulations in the environmental area.

In regard to the latter, the QSA department has published a good portion of the updated company documents and we hereby specify that this operation is currently underway.

We mention furthermore the issuing of the Corporate Environmental Analysis, which has been revised and updated.

The removal of asbestos from all objects is continuing, concurrently with on site analysis of the fibres dispersed in the air in collaboration with the corporate Prevention and Protection Department Manager.

Particular attention is focused on managing the acoustic impact related to our REMI and GRF cabins, in terms of prevention as well as insofar as the immediate implementation of actions in the field to mitigate those sporadic cases in which acoustic zoning limits were exceeded.

Regarding emissions into the atmosphere, we note the completed Fgas declaration pursuant to Presidential Decree 43/12 related to the emission of fluorinated gases which contribute to the greenhouse effect, for the conditioning plants of the buildings subject to this regulation. In relation to the thermal generating unit servicing the REMI (pre-heating) cabins, 100% were subject to performance checks even though this is not required by the major regulations and the activity of restoring them to the values as indicated in the tables in any cases which were irregular is being pursued.

Regarding the current organizational structure, the QSA department has completed the new registration of the company with the SISTRI System for management of its own hazardous waste, ensuring continuity of the service at the territorial units, which are impacted by the Waste Management cycle.

10.3 Annual report on the Quality of the Distribution Service

In compliance with the provisions of the AEEGSI, in March 2015, QSA pursued the collection, formatting, insertion into the AEEGSI portal and validation of the commercial quality data for the distribution service related to the services carried out in 2014, for which periodic reporting is mandatory.

The reporting, which was concluded within the deadline set by the Authority, referred to the data related to the perimeter of the plants managed by 2i Rete Gas and the data related to the perimeter of the plants managed by the subsidiaries Genia Distribuzione and GP Gas.

Following the communication of the information to the Authority, the QSA division carried out the inspections of the territorial structures, as required to ensure compliant collection

of the documents proving the reported services, and also insofar as the aspects regarding the commercial quality of the service and the Security and Continuity aspects.

The results showed a situation that was generally in line with expectations; where recognized, any situations that could be improved were indicated to the competent divisions (Operations, Commercial Network Services, Engineering), so as to enable analysis and identify the appropriate corrective actions to be taken.

11. Human resources

The first half of 2015 was characterized by activities aimed at streamlining the organizational processes and handling thereof, upgrading the core business activity and internal skills, implementing value through hiring of new staff with potential and/or specific professional skills.

In the first half of the year, a significant hiring and recruitment effort was carried out which led to 25 additions to the staff in different contractual forms (contract work, temporary and open-ended employment contracts). In particular, the focus was dedicated to completion of the Network Commercial Services and ICT division, and also the empowerment of certain structures within areas and departments. Furthermore, a targeted recruitment and selection process was carried out for addition of specialized staff and/ or staff with potential in other areas.

Without prejudice to the low number of exits due to mobility which took place in the first quarter, the flow of exits for other reasons (retirement, resignation, etc.) is normal.

Maintenance of structured industrial relations both of the national level as well as the territorial level led to the conclusion of agreements regarding bonuses based on productivity/results for 2014 and 2015.

During the first half of the year, with the collaboration of the departments and the managers at the headquarters, an initial unit was identified defined as being of "high potential," that is a group of human resources that could possess the characteristics for professional development in the short/medium term. For this group, a training course was designed on the issues of communication, problem solving and project management which will take place in the second half of the year.

In the period from January – June, in collaboration with the QSA, the design, organization and holding of training/information courses concerning work-related

stress was held over 8 days of meetings at the headquarters and within the territory, with the participation of approximately 40% of all employees.

To complete the training begun in 2014, numerous courses on occupational safety were provided, of which the major ones were: Fire prevention (approximately 450 people from the department), first aid and fire prevention (for the newly inserted employees of the new headquarters in Milan at via Albricci), planning, control and placement of street signs (this training is currently underway throughout the entire territory), and courses for PES qualification (Expert Person) for employees working with electricity.

12. Information systems

With the migration of the systems from third party Datacenters to the 2i Rete Gas Datacenter on 2 January 2015, the insourcing project was completed and the autonomous management of all 2i Rete Gas systems and services by the information systems department began.

The post launch activities of the service continued regularly, ensuring the continuation of ordinary activities and the pursuit of the annual and financial statement closing procedures. Once the insourcing of the ICT services was completed, the activities of the information services department in the first half of 2015 were focused on ensuring the normal operation and concurrently the organization of the work plan aimed at ensuring the annual objectives were reached, and these were centred on simplifying and streamlining the operating processes, by providing support to the business functions and reducing ICT operation costs.

In January, some systems were adjusted for implementation of certain territorial reorganization operations and ensuring a higher level of reporting for the installed electronic metering groups.

In April, Genia Distribuzione was integrated into the 2i Rete Gas systems, ensuring full operative management according to corporate processes.

As already mentioned in the appropriate section, the resolutions of the AEEGSI in the first half of the year required a strong commitment insofar as designing the adaptation of the systems, in particular the revision of the metering activities (resolution 117/15) and, more recently, management of delays in payment (res. 258/15). Together with the activities aimed at implementing the new resolutions, particular commitment was required for upgrading the systems in order to ensure the process for the 2014 first adjustment session and adapting the invoicing system to resolution 573/13, with a significant review of the invoicing engine so that it would be able to implement the fixed quota invoicing rules.

Concurrently with the above activities, a verification and realignment of the archives of the different systems involved took place and this made it possible to reduce in the first half of

the year up to 50% of the error reports on metering information and work management systems, furthermore making it possible to launch, as from the month of April, the "on condition" updating of the integrated information system, as required by the AEEGSI, with automatic sending directly from the 2i Rete Gas systems of all the status changes of the redelivery points managed.

In the first half of the year, the activities preliminary to the definition and preparation of the main project that will be released by the end of the year took place, these being:

- Support insofar as completing the work, reducing operations on systems by technicians and guaranteeing the speed with which information is updated on all systems, and optimization of the activities for preparation and management of the scheduled maintenance
- Providing estimates and final reports on the works, which will make it possible to reduce operating times for the work to be carried out and the relative final reporting, with timely updating of plant volumes
- Instruction reporting for completing the monthly reporting with greater efficiency, more effectively supporting the analysis of the information and facilitating integration of information originating from several sources
- Process Control Room, that is the oversight and monitoring system for business processes, which will be physically carried out by the control room equipped with the dashboards and alarm and indicators performance analysis consoles for the main processes, starting from remote management of meters, invoicing and work management processes for on the field support.

As part of the activities aimed at the completion of the Process Control Room, in the first half of the year the project for insourcing the remote oversight service for cathodic protection began and is expected to be completed during the year, activating the 2i Rete Gas control center and updating the peripheries in the field in order to increase the level of reliability of the data collected on the field.

The G4-G6 Gas remote management project required a significant commitment for the upgrading of the systems and information and operating processes involved in the replacement of the electronic gas meters, with adjustment of the involved systems to better support operations in the field and minimize reprocessing upon final reporting. Furthermore, remote reading of the meters in the municipality of Perugia was started and the new acquisition system was integrated with the metering systems while the development of the remote operation functionalities (closing of the valve) began and is scheduled to be launched in the second part of the year.

With regard to the remote reading of gas in the >G6 metering groups, in the first half of the year there was an effort to upgrade the new MIM system, both in order for it to support the insourcing process of the services currently underway and also to increase the rate of

success of the remote reading, in particular with the installation of calibres G10, G16 and G25.

The new monitoring system for the effectiveness of the readings and maintenance interventions on equipment that do not transmit correctly was implemented, in order to support the territorial operating units in their field operations to ensure the end of month readings.

Regarding the infrastructural activities, in the first half of the year the Distributed Services Unit was involved in the technological equipping of the new headquarters and coordinating the move from the other Milan offices. Concurrently, the activities remaining on the insourcing project were completed; they were aimed at ensuring the high reliability of the data connectivity of all the offices and launching optimisation of the commitment to the Capodichino Datacenter.

The projects aimed at guaranteeing the maintenance of the operating systems were defined and launched, with technological updating of the oracle databases and the TIBCO platform.

13. Research and development

No research took place during the half year. Development was centred on in depth examination and verification of certain technologies aimed at monitoring the quality of work and new materials.

14. Risk management

As stated in the Directors' Report, in the section concerning company risk, below are described the main financial risks that are typical of the sector in which the 2i Rete Gas Group operates. Regarding liquidity, credit and market risks reference should be made to the appropriate section in the notes to the financial statements and the consolidated financial statements.

14.1 Operational risks

The management of the natural gas distribution network involves the risks of malfunction or unanticipated interruption of the service, due to factors that are not under the Group's control, such as accidents, breakdowns or malfunctions of equipment or control systems, underperformance of the plants and extraordinary events such as explosions, fires, earthquakes, landslides and other natural disasters. These events can result in an interruption of the service, significant damages to persons or things, the environment and/or which could cause disturbance at the social and economic level.

Any service interruptions, inadequate performance or inadequacy of the Group structures and/or the consequent obligations to provide compensation could result in a reduction in revenues, an increase in costs and/or regulatory interventions. The Group has stipulated specific insurance policies against these risks, which are considered to provide adequate coverage insofar as the types and levels of the damages that could be caused.

14.2 Regulatory risks

The Group may be exposed to risks related to changes in the tariff levels applied to its activities, which are regulated by the natural gas distribution sector. For example, a change in the regulatory variables or the method used for the regulation, including, as a non exhaustive example, as compared to the procedures with which the RAB (Regulatory Asset Base) is remunerated, or the WACC (Weighted Average Cost) in each regulatory period, could influence the levels of the tariffs applicable to the Group's activity, with negative repercussions on revenues and margins.

The regulatory period has been extended from four to six years, during which the AEEGSI will review only the weighted average cost of capital (WACC) and the efficiency coefficient (as defined in the regulatory and tariff framework) every two years.

14.3 Risks deriving from the future trend in natural gas consumption

The environment in which the group operates has been affected by the worldwide deterioration of macroeconomic conditions, with a reduction in consumption and industrial production.

This environment is currently showing modest signs of improvement, but the policies of austerity implemented in the last few years have had a negative impact on growth and the Italian government continues to be subject to significant pressure in regard to its public finances.

To this end, the consumption of gas has been particularly affected by the level of the country's economic activity and only in the last half year has it shown the first increase after several years, which is also due partly to the weather.

Though the regulated income of the Group's operating companies does not directly depend on the distribution volumes, in regard to which the group has not incurred any risks insofar as the volumes of the demand, a persistently weak economic recovery with reduced gas consumption levels could give rise to an increase in interventions by the government and changes to the legislative framework.

14.4 Environmental and safety risks

The management and maintenance of the gas distribution networks is an activity which is potentially dangerous and which could cause damages to members of the public and/or employees of the Group. The Group is subject to domestic and European community laws and regulations that govern issues regarding health and safety and the purpose of which is to protect the public and the employees.

In its operations, the Group uses products and sub-products that are potentially dangerous, and the work sites in which it operates are subject to laws and regulations (including zoning laws) regarding pollution, environmental protection and usage and disposal of hazardous substances and waste.

These laws and regulations expose the Group to costs and liabilities connected to its operation and its plants, including in relation to the disposal of waste.

The costs for future obligations of any environmental restoration are subject to uncertainty, in relation to the extent of the contamination, the appropriate corrective actions and the responsibility inherent upon the Group, which are often intrinsically difficult to calculate.

To mitigate the risk, the Group has concluded specific insurance policies covering both the cost of intervention required to contain any potential pollution as well as the restoration and connected damages.

15. Outlook

During 2015, work will continue to improve operational efficiency and to contain costs.

Currently, the profitability for 2015 is expected to reflect the performance of the first half of the year.

In particular, for the 2i Rete Gas Group the action undertaken will aim to:

- carefully monitor the tenders for ATEM to be called so as to timely take advantage of the best opportunities offered by the market;
- focus resources on the highest added value activities in network management, through greater concentration and specialisation of the operational structures;
- create significant synergies at local level to optimise its presence and act increasingly effectively also by integrating the subsidiaries' IT systems;
- pursue and improve the use of IT tools, in particular in dealings with customers, in order to achieve greater efficiency;
- continue to decrease the number of injuries in the company by improving work quality and safety in all aspects.

2i Rete Gas S.p.A.
Chief Executive Director
Michele Enrico De Censi

Consolidated interim financial report

Financial Statements

III. Income statement

Thousands of euro	Notes	30.06.2015	30.06.2014
Revenues			
Revenues from sales and services	5.a	300,817	294,188
Other revenues	5.b	35,131	32,118
Revenues from intangible assets / assets under construction	5.c	71,292	51,879
	Sub-Total	407,241	378,185
Costs			
Raw materials and consumables	6.a	27,463	15,602
Services	6.b	94,878	99,066
Personnel costs	6.c	61,252	60,225
Amortisation, depreciation and impairment losses	6.d	78,381	70,590
Other operating costs	6.e	28,512	30,794
Capitalised costs for internal work	6.f	(1)	0
	Sub-Total	290,484	276,278
		EBIT	116,757
Income (expenses) from equity investments	7	205	0
Financial income	8	552	1,116
Financial expenses	8	(23,596)	(163,645)
	Sub-Total	(22,838)	(162,529)
		Pre-tax income	93,918
Taxes	9	52,456	(32,227)
		Net result from continuing operations	41,463
		Net result from discontinued operations	(28,395)
		NET INCOME FOR THE PERIOD	41,463
		(28,395)	(28,395)

2i Rete Gas S.p.A.
 Chief Executive Director
 Michele Enrico De Censi

IV. Statement of Comprehensive Income

Thousands of euro	30.06.2015	30.06.2014
Net income recognised in profit or loss	41,463	(28,395)
Net income attributable to owners of the parent		(28,372)
Net income attributable to non controlling interests		(23)
Other comprehensive income		
<i>Items which will never be reclassified in profit/(loss):</i>		
Revaluations of net liabilities/assets for defined benefits - owners of the parent	767	-
Revaluations of net liabilities/assets for defined benefits - non controlling interests		-
Deferred tax assets and liabilities on items which will never be classified in profit / (loss) - non controlling interests		-
Deferred tax assets and liabilities on items which will never be classified in profit / (loss) - owners of the parent	(483)	-
	284	-
<i>Items which may be reclassified subsequently in profit/(loss):</i>		
Change in fair value of hedging derivatives - owners of the parent	-	-
Change in fair value of hedging derivatives - non controlling interests		-
Change in fair value of hedging derivatives reclassified in the income for the period - owners of the parent	-	65,726
Change in fair value of hedging derivatives reclassified in the income for the period - non controlling interests		66
Deferred tax assets from change in fair value - owners of the parent	-	-
Deferred tax assets from change in fair value - non controlling interests		-
Deferred tax assets from change in fair value of hedging derivatives reclassified in the income for the period - owners of the parent	-	(22,347)
Deferred tax assets from change in fair value of hedging derivatives reclassified in the income for the period - non controlling interests		(22)
	-	43,423
Totale altre componenti del conto Economico complessivo	284	43,423
Total comprehensive income	41,747	15,027
Total comprehensive income attributable to:		
- Owners of the Parent	41,747	15,007
- Non controlling Interests		20

2i Rete Gas S.p.A.
 Chief Executive Director
 Michele Enrico De Censi

V. Statement of Financial Position

Thousands of euro	Notes	30.06.2015	31.12.2014
ASSETS			
Non-current assets			
Property, plant and equipment	11	43,590	40,825
Intangible assets	12	2,773,211	2,765,276
Net deferred tax assets	13	89,292	113,227
Investments	14	3,334	3,329
Non-current financial assets	15	5,157	7,993
Other non-current financial assets	16	23,991	23,779
	<i>Total</i>	2,938,576	2,954,429
Inventories	17	11,663	7,794
Trade receivables	18	126,130	213,622
Short-term financial receivables	19	3,963	957
Other current financial assets	20	44	26
Cash and cash equivalents	21	141,821	108,506
Income tax receivables	22	9,772	21,699
Other current assets	23	181,086	163,138
Non-current assets (or assets included in disposal groups) held for sale		0	0
	<i>Total</i>	474,478	515,743
TOTAL ASSETS		3,413,054	3,470,171

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Thousands of euro	Notes	30.06.2015	31.12.2014
EQUITY AND LIABILITIES			
Equity - Owners of the Parent			
	24		
Share capital		3,639	3,636
Treasury shares		-	-
Other Reserves		494,540	640,323
Retained earnings (accumulated losses)		77,913	(16,019)
Net income for the year		41,463	12,021
Total equity - Owners of the Parent		617,554	639,961
Equity - non-controlling interests			
Non-controlling interests		-	876
Net income for the year - non-controlling interests		-	20
Total equity - non-controlling interests		-	896
TOTAL EQUITY		617,554	640,857
Non-current liabilities			
Long-term loans	25	2,081,177	2,086,923
Termination and other employee benefits	26	37,916	39,052
Provision for risks and charges	27	9,385	9,600
Deferred tax liabilities	13	-	-
Non-current financial liabilities	28	-	-
Other non-current liabilities	29	285,435	283,342
	<i>Total</i>	2,413,913	2,418,918
Current liabilities			
Short-term loan	30	-	7,791
Short-term payables due to banks	31	-	-
Short-term portion of long-term and short-term provisions	32	62,409	59,588
Trade payables	33	142,396	184,201
Income tax payables	34	6,733	23
Current financial liabilities	35	34,153	15,611
Other current liabilities	36	135,895	143,182
Liabilities held for sale	37	-	-
	<i>Total</i>	381,587	410,396
TOTAL LIABILITIES		2,795,500	2,829,314
TOTAL EQUITY AND LIABILITIES		3,413,054	3,470,171

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VI. Statement of Cash Flows

Thousands of euro		30.06.2015	31.12.2014
A) CASH AND CASH EQUIVALENTS - INITIAL BALANCE	21	108,506	147,110
Cash flow from operating activities			
Pre-tax income		93,918	9,580
Income taxes for the period	9	(52,456)	2,461
Net result from discontinued operations	10	-	-
1. Net income for the year		41,463	12,041
Adjustments for:			
Amortisation	6.d	77,112	150,184
Write-downs/(Write-ups)	6.d	1,269	415
Capital gains/(losses)	5.b/6.and	1,835	1,883
Allocations to provisions for risks and charges and termination benefits		9,386	12,953
Financial (income)/expenses	7 and 8	22,838	201,118
2. Total adjustments		112,440	366,553
Change in net working capital			
Inventories	17	(3,869)	(1,450)
Trade receivables	18	86,223	70,682
Trade payables	33	(41,805)	36,302
Other current assets	23	(17,947)	(25,992)
Other current liabilities	36 and 37	(7,286)	(26,810)
Net tax receivables/(payables)	22 and 34	18,637	(31,014)
Increase/(decrease) in provisions for risks and charges and termination benefits	26, 27 and 32	(7,150)	(3,453)
Increase/(decrease) in provisions for deferred tax assets and liabilities	13	23,453	(64,376)
Other non-current assets	16	(213)	(17,244)
Other non-current liabilities	29	2,093	11,212
Financial income/(expenses) other than for financing	7 and 8	51	(963)
3. Total change in net working capital		52,187	(53,107)
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		206,090	325,487
Cash flow (used in) generated by investing activities			
Net fixed assets		(89,647)	(172,182)
Purchase of subsidiary and income from equity investments	7 and 14	200	0
C) CASH FLOW (USED IN) GENERATED BY INVESTING ACTIVITIES		(89,448)	(172,182)
D) FREE CASH FLOW (B+C)		116,642	153,305
Cash flow from financing activities			
Dividend distribution		(65,050)	(89,000)
Share capital increase		0	536
Change in reserves		(0)	96,189
Change due to the controlling interests		0	(6,369)
Change in non controlling interests		0	(130,983)
Change in amortised cost	15, 25 and 31	774	2,630
Change in the valuation reserve relating to the hedging derivative instrument	7 and 8	0	36,953
Change in fair value of IRS derivatives	20 and 35	0	(65,792)
Financial income/(expenses) relating to the Fv of the derivative instrument	7 and 8	0	(39,952)
Financial income/(expenses) for financing activities	7 and 8	(23,094)	(94,411)
Interests payable	25	(4,132)	
Changes in indebtedness to banks and other lenders	25,30 and 31	0	181,651
Change in short-term financial debt	30	(7,791)	0
Change in non-current financial liabilities	28	0	(24,020)
Change in other non-current financial assets	15	447	(7,317)
Change in other financial receivables	19 and 20	(3,024)	4,688
Change in other financial payables	35	18,543	(56,713)
E) CASH FLOW FROM FINANCING ACTIVITIES		(83,328)	(191,909)
F) CASH FLOW FOR THE PERIOD (D+E)		33,315	(38,604)
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	21	141,821	108,506

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VII. Statement of Changes in Equity

Thousands of euro	Share capital and reserves										
	Share Capital	Share Premium Reserves	Legal Reserve	Capital contribution reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings	Net income for the year	Total - Owners of the Parent	Total - Non-controlling interests	Total consolidated equity
Total 31 December 2013	3,100	362,794	620	195,300	(36,953)	395	9,999	54,375	589,629	131,859	721,488
<i>Allocation of result for 2013:</i>											
Allocation of result							54,375	(54,375)	0		0
<i>Contribution from shareholders and payments to them as shareholders</i>											
- Payment of dividends		(11,227)					(77,773)		(89,000)		(89,000)
<i>Total contribution from shareholders and payments to them as shareholders</i>											
									(89,000)		(89,000)
- Other changes (merger of F2iR12)	536					92,441	(6,369)		86,608	(130,968)	(44,360)
- Other changes							(2,677)		(2,677)	(59)	(2,736)
- Purchase of treasury Shares in portfolio									0		0
- Net income for the year recognised in equity									0		0
- Change in IAS reserves					36,953		6,426		43,379	43	43,422
- Net income for the year recognised in profit or loss								12,021	12,021	20	12,041
Total 31 December 2014	3,636	351,567	620	195,300	0	92,836	(16,019)	12,021	639,961	896	640,857
<i>Allocation of result for 2014:</i>											
Allocation of result	0	0	0	0	0	0	12,021	(12,021)	0	0	0
- Increase in legal reserve	0	0	108	(108)	0	0	0	0	0	0	0
<i>Contribution from shareholders and payments to them as shareholders</i>											
- Payment of dividends	0	0	0	0	0	0	0	0	0	0	0
- Payment of the share premium reserve	0	(65,050)	0	0	0	0	0	0	(65,050)	0	(65,050)
- Distribution of extraordinary reserve									(65,050)		(65,050)
<i>Total contribution from shareholders and payments to them as shareholders</i>											
									0		0
- Other changes (merger of 2iRete gas)	2	0	0	0	0	(85,128)	86,021	0	896	(896)	(0)
- Other changes	0	0	0	0	(0)	4,111	(4,110)	0	0	0	0
- Net income for the year recognised in equity	0	0	0	0	0	0	0	0	0	0	0
- Change in IAS reserves	0	0	0	0	0	284	0	0	284	0	284
- Net income for the year recognised in profit or loss	0	0	0	0	0	0	0	41,463	41,463	0	41,463
Total 30 June 2015	3,639	286,516	728	195,192	0	12,103	77,913	41,463	617,554	0	617,554

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Chief Executive Director
Michele Enrico De Censi

VIII. Notes

1. Format and contents of the Financial Statements

The Group operates in the gas distribution sector. The parent company 2i Rete Gas is a joint stock company and its registered office is located in Milan, Via Paolo da Cannobio 33. Pursuant to article 3 of its articles of association, the duration of the parent company is until 2050.

On 21 September 2015, the Directors approved these half-year condensed consolidated financial statements which have been prepared on a voluntary basis. For the purposes of IAS 10.17, the date taken into consideration by directors in preparing the financial statements is 21 September 2015, the date of approval by the Board of Directors.

These half-year condensed consolidated financial statements are subject, on a voluntary basis, to a limited audit by PricewaterhouseCoopers S.p.A.

2. Compliance with IFRS/IAS

This condensed consolidated interim financial report for the year ended 30 June 2015 have been prepared in compliance with (i) the International Accounting Standards (IAS) or the International Financial Reporting Standards (IFRS) issued by the International Accounting Board (IASB), as endorsed by the European Union pursuant to EC Regulation no. 1606/2002 and effective at the end of the period, (ii) the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as (iii) the interpretations of the Standing Interpretations Committee (SIC), effective at the same date. In particular, these half-year condensed consolidated financial statements have been prepared in compliance with IAS 34 - Interim Financial Reporting. The aforementioned key standards and interpretations are hereafter collectively referred to as “IFRS-EU”.

3. Basis of presentation

The consolidated interim financial report consists of the Income statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related Notes.

The assets and liabilities reported in the Statement of Financial Position are classified on a “current/non current basis” with separate reporting of assets and liabilities held for sale.

Current assets, which include cash and cash equivalents, are those intended to be realised, sold or used during the normal company operating cycle or in the twelve months following the reporting period; current liabilities are those expected to be settled during the normal company operating cycle or within the twelve months following the reporting period.

The Income Statement items are classified on the basis of the nature of costs, while the Statement of Cash Flows is presented using the indirect method.

The consolidated interim financial report is presented in euro (the Group's functional currency) and the values shown in the notes are expressed in thousands of euro, unless otherwise stated.

The consolidated interim financial report has been prepared using the historical cost method, except for those financial statement items which, in accordance with the IFRS-EU, are measured at fair value, as indicated in the valuation criteria for the individual items.

This consolidated interim financial report has been prepared on a going-concern basis, as set out more in detail in the Directors' Report.

4. Accounting policies and valuation criteria

In the preparation of the consolidated half year financial statements, the same accounting standards were used as those adopted by the Group for the consolidated financial statements for the year ended 31 December 2014.

The European Union has not endorsed any further accounting standards, amendments or interpretations issued by the IASB.

The IASB and IFRIC have not published new standards and interpretations at 30 June 2015, compared to what had been indicated in the notes at 31 December 2014.

5. Use of estimates

Estimates, assumptions and evaluations were used in the preparation of the consolidated interim financial report, which influence the application of the accounting standards and the amounts of the assets, liabilities, income and expenses recognised in the statement of financial position. As these are estimates, the actual results could differ from those shown in these interim financial statements.

The material subjective valuations applied for the preparation of these consolidated half-year financial statements, as well as the main sources of uncertainty regarding the estimates, are the same as those used in the drafting of the financial statements for the financial year ended 31 December 2014.

IX. Information on the Income Statement

Revenues

The transport of methane gas takes place exclusively within Italy. Segment reporting pursuant to the requirements of IAS 34 and IFRS 8 (Operating Segments) was not provided due to the uniqueness of the business.

5.a Revenues from sales and services – 300,817 thousand euro

The "Revenues from sales and services" item which amounted to 300,817 thousand euro mainly refers to the gas transport activity and the connection fees.

"Revenues from sales and services" are broken down as follows:

Thousands of euro	30.06.2015	30.06.2014	2015- 2014
Sales and services			
Third parties:			
Gas and LPG transport	283,411	275,057	8,354
Provision for risks	(2,283)	0	(2,283)
Connection fees	6,737	7,361	(624)
Accessory rights	2,671	2,765	(93)
Revenues from the sale of water	1,502	1,594	(93)
Accessory services – water sector	222	536	(315)
Revenues from customer operations	51	37	14
Revenues from sewerage/purification	524	561	(38)
Other revenues and other sales and services	7,984	6,276	1,707
Total revenues from sales and services	300,817	294,188	6,630

Revenues from gas transport totalled 283,411 thousand euro and mainly refer to the 2015 tariff revenue cap for natural gas (276,969 thousand euro) and LPG (286 thousand euro). This figure is moving upwards compared to last year thanks to a tariff adjustment related to the revenue cap for 2014 and the slight increase in the cap itself for 2015.

The consideration paid for connections, totalling 6,737 thousand euro has decreased by 624 thousand euro compared to the figure in the corresponding period of the previous year.

As in the prior year, the prepayments relating to these fees were calculated. In particular, the connection fee is based on a specific quote according to the type of service requested and consists of:

- the cost of the material required;
- the labour cost;
- the percentage for the coverage of general expenses.

The revenues related to the water sales sector have remained stable.

In “Other revenues and other sales and services” the positive change of 1,707 thousand euro was mainly due to the management of work to suspend and reactivate customers in arrears at the request of the sales companies.

For further information on the trend in revenues please refer to the attached Directors' Report.

5.b Other revenues – 35,131 thousand euro

“Other revenues” totalled 35,131 thousand euro (32,118 thousand euro in the same period of 2014), increasing by 3,013 thousand euro.

This increase is essentially due to lower revenues for energy efficiency certificates on account of the lower purchases of certificates made in the period and lower capital gains from the realization of assets, both of which were more than offset by the effect of the recognition of the income from the settlement of the arbitration with GDF Suez Italia.

5.c Revenues from intangible assets / assets under construction – 71,292 thousand euro

Thousands of euro	30.06.2015	30.06.2014	2015 - 2014
Revenues from intangible assets/assets under construction			
Revenues from intangible assets/assets under construction	71,292	51,879	19,413
Total revenues from intangible assets/assets under construction	71,292	51,879	19,413

These revenues have been recognised in the financial statements following application, as from 1 January 2010, of IFRIC 12 “Service concession arrangements”.

Revenues from intangible assets and assets under construction represent the portion of revenues directly attributable to the construction and the enhancement of gas distribution networks held under concession. Since it is not possible to identify in the existing tariff

system a specific item relating to the network construction service, these revenues are estimated to be exactly the same as the costs incurred for the same end, and so there is no impact in terms of gross margin.

Costs

As already noted, all costs recorded in order to adopt the accounting model proposed by IFRIC 12 are divided by nature within the pre-existing cost items.

6.a Raw materials and consumables – 27,463 thousand euro

"Raw materials and consumables" essentially include the cost for the purchase of materials used in the network cable laying and the fuel used for the vehicles; the value at 30 June 2015 is significantly higher than in the same period in the previous year (11,861 thousand euro) due to the higher investments made during the year, including the material purchase of new electronic meters for the mass market which are currently being installed.

6.b Services - 94,878 thousand euro

Costs for "Services" are broken down as follows:

Thousands of euro

	30.06.2015	30.06.2014	2015 - 2014
Costs for services			
Maintenance, repair and realisation of assets	31,149	28,207	2,941
Costs for electricity, power and water	2,176	2,461	(285)
Gas (for internal use)	2,545	2,920	(374)
Telephone and data transmission costs	1,490	1,504	(15)
Insurance premiums	2,587	2,901	(314)
Costs for services and other expenses relating to persc	2,445	2,398	47
Fees	550	474	76
Legal and notary costs	172	281	(108)
Costs for company acquisitions and disposals	1	218	(217)
Staff and other services	754	3,140	(2,386)
Advertising	31	38	(7)
IT services	3,369	4,508	(1,139)
Meter reading service	1,879	2,792	(913)
Audit fees	160	295	(135)
Repairs and immediate intervention service	1,086	1,138	(52)
Plant certifications Resolution no. 40	280	290	(11)
Gas transport by third parties	366	494	(128)
Professional and other services	2,033	4,181	(2,148)
Other costs for services	3,958	2,339	1,619
Costs for the use of third-party assets			
Leases	3,789	3,741	48
Rentals	3,086	5,328	(2,243)
Other costs for the use of third-party assets	956	1,102	(147)
Fee for temporary occupation of public space (C.o.s.a.†)	625	504	121
Municipal gas concession fees	29,391	27,812	1,579
Total	94,878	99,066	(4,188)
- of which capitalised for intangible assets	31,869	28,374	3,495

Costs for services (including the costs for the use of third party assets) decreased by 4,188 thousand euro compared to the corresponding period in the previous year. In this case too it should be recalled that, as from 2010, all the costs relating to the management of concessions are affected by cost items for the construction of networks in accordance with IFRIC 12.

The change in the costs for services, which is broken down in the table below, is mainly due to the following effects:

- increase in costs for maintenance, repair and realisation of assets by 2,941 thousand euro, due to the strong network activity during the half;
- fewer services provided by the staff, due to the sign in the second half of 2014 of the transport contracts with Enel S.p.A. of 2,386 thousand euro.
- lower costs for information services, compared to the previous period. In 2014 this item included, for the first half of the year, the costs related to the support of the Enel structure for management of the data warehouse migrated at the end of last year;
- the costs for professional services have dropped by 2,148 thousand euro compared to the previous year, in which the efforts aimed at securing a corporate rating had influenced these costs significantly;
- higher costs for fees and consideration paid to municipalities by 1,579 thousand euro related to the business development activity.

6.c Personnel costs - 61,252 thousand euro

Personnel costs of 61,252 thousand euro include all charges incurred on an ongoing basis which, directly or indirectly, concern employees. The item increased by 1,027 thousand euro.

The personnel cost to date includes also the effect of the departure in June 2015 of the chief executive officer who had led the group since 2009.

In the year no particular changes in staff were noted compared to the normal turnover as people reach retirement age.

The table below shows staff changes in the year 2015 by category.

	Executives	Middle Managers	Office Employees	Workers	Total
Personnel at 31 December 2014	1	1	4	8	14
Change in scope of consolidation	32	105	1,112	711	1,960
Increase	0	0	12	0	12
Decrease	(1)	(1)	(15)	(12)	(29)
Change in category	0	0	7	(7)	0
Personnel at 30 June 2015	32	105	1,120	700	1,957

6.d Amortisation, depreciation and impairment losses – 78,381 thousand euro

Depreciation of tangible assets and amortisation of intangible assets amounted to 78,381 thousand euro, up by 7,791 thousand euro compared to the previous year.

This change includes both higher amortisation of intangible assets, of 5,849 thousand euro from the alignment of the estimates on the possible redemption value of the concessions upon completion of the revision of the useful lives of the meters, and the higher depreciation of tangible assets by 568 thousand euro.

The impact of the allocation to the income statement of provisions for doubtful debts brings the item to 1,269 thousand euro.

This item is broken down as follows:

Thousands of euro	30.06.2015	30.06.2014	2015 - 2014
Depreciation of tangible assets	2,277	1,709	568
Amortisation of intangible assets	74,835	68,986	5,849
Impairment losses:			0
- Impairment of tangible assets	0	0	0
- Impairment of intangible assets	0	0	0
- Write down of trade receivables	1,269	(105)	1,374
	78,381	70,590	7,791

6.e Other operating costs – 28,512 thousand euro

The "other operating costs," which mainly include costs for the purchase of energy efficiency certificates and net allocations for risks and charges have decreased by 2,282 thousand euro compared to the previous period, mainly on account of the lower number of certificates purchased.

The breakdown of the related provisions is provided in the comment on liabilities recognised in the Statement of financial position.

6.f Capitalised costs for internal work – 1 thousand euro

Following the introduction of IFRIC 12, accounting for capitalised costs for internal work no longer occurs as in the past for those costs, which are directly connected to network construction operations under concession. For this reason, the item now only includes those residual costs which can be capitalised but do not concern concessions.

7. Income (expenses) from equity investments - 205 thousand euro

The item in question includes the income from investments in associates and other companies. In particular, at 30 June 2015 the item included the allocation for the portion of the dividend decided by MEA S.p.A.

8. Financial income/(expenses) - (23,043) thousand euro

In detail:

Thousands of euro

	30.06.2015	30.06.2014	2015-2014
Financial income			
- Interest income on delayed payments	130	107	23
- Interest income from current accounts and post office deposits	97	514	(417)
- Interest income from receivables from customers	102	493	(391)
- Other financial interest and income	223	1	222
Total income	552	1,116	(564)
Financial expenses			
- Interest expense on medium/long-term loans	1,660	54,682	(53,021)
- Other expense on medium/long-term loans from banks	785	1,183	(397)
- Financial expenses on debenture loans	18,447	-	18,447
- Financial expenses from amortised cost	2,299	-	2,299
- Financial expenses concerning derivative contracts	-	12,179	(12,179)
- Discounting of termination and other employee benefits	290	555	(265)
-Interests on taxes	96	1	96
- Change in fair value of Interest Rate Swaps	-	29,235	(29,235)
- Change in fair value of hedging derivatives reclassified from comprehensive income	-	65,792	(65,792)
- Other financial and interest expense	18	19	(1)
Total expenses	23,596	163,645	(140,049)
TOTAL FINANCIAL INCOME AND (EXPENSES)	(23,043)	(162,529)	139,486

The balance of the financial income and expenses which is negative by 23,043 thousand euro is mainly due to the recognition of financial expenses on the bond loan, the expenses related to the existing loan and the related amortised cost of both. We reiterate that in the previous year the item was very strongly impacted by the negative fair value of the

derivative which, following the refinancing decision made by the parent company, was reclassified as a non hedging derivative. The decision to proceed with the closure of the loan existing in June 2014 also involved revision of the assessment of the amortised cost of the medium/long-term loan stipulated in 2011.

9. Taxes – 52,456 thousand euro

This item is broken down as follows:

Thousands of euro	30.06.2015	30.06.2014	2015 - 2014
Current taxes			
Current income taxes: IRES	24,160	26,435	(2,276)
IRES substitute tax on exemption	-	12,479	(12,479)
Current income taxes: IRAP	5,372	7,400	(2,028)
Total current taxes	29,532	46,314	(16,783)
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	556	787	(231)
Positive adjustments for income taxes relating to previous years	(1,178)	(1,385)	206
Total adjustments for income taxes relating to previous years	(622)	(597)	(25)
Deferred and prepaid taxes			
Deferred taxes (use)/allocations	(25,430)	(6,577)	(18,853)
Prepaid taxes (allocation) / use	48,977	(71,366)	120,343
<i>Total current deferred and prepaid taxes</i>	<i>23,546</i>	<i>(77,944)</i>	<i>101,490</i>
Total deferred and prepaid taxes	23,546	(77,944)	101,490
TOTAL TAXES	52,456	(32,227)	84,683

Income taxes for the first half 2015 are negative for 52,456 thousand euro.

They refer to:

- recognition of the expense for current taxes for the period, including IRES (Corporate Income Tax) of 24,160 thousand euro (no longer including the additional Robin Hood Tax from 2015 onwards) and IRAP (Regional Business Tax) of 5,372 thousand euro;
- The net adjustments to the income taxes related to previous years, which amounted to (597) thousand euro in the previous year, are equal to (622) thousand euro in this period.

In 2014, following the goodwill exemption which arose following the merger of G6 Rete Gas, prepaid taxes of 29,848 thousand euro were recognized. Conversely, in 2015 the company aligned the value of the deferred tax assets and liabilities in order to reflect the impact arising from the declaration of the unconstitutionality of the so-called Robin Hood Tax.

For better notes on prepaid and deferred taxes, reference should be made to the relevant section of the notes to the Statement of financial position.

10. Discontinued operations – 0 thousand euro

The result from discontinued operations was zero, as in the previous year, since no asset was classified in the Financial Statements for the year as “Discontinuing”.

X. Information on the Statement of Financial Position

Assets

Non-current assets

11. Property, plant and equipment – 43,590 thousand euro

It should be recalled that, following the introduction of IFRIC 12, property, plant and equipment contains solely those assets which are not tied to gas distribution concessions. Such assets are now regarded as intangible.

The breakdown and changes in property, plant and equipment in 2013, 2014 and 2015 are shown below:

Thousands of euro	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Improvements to third-party assets	Fixed assets under construction and advances	Total
Historical cost	14,673	35,602	3,448	21,170	41,264	9,277	335	125,770
Accumulated amortisation	-	(23,354)	(3,168)	(18,931)	(38,784)	(7,034)	-	(91,270)
Balance at 31.12.2013	14,673	12,248	281	2,238	2,481	2,243	335	34,499
Contributions from change in scope of consolidation	-	-	-	63	12	-	-	75
Investments	-	105	112	642	6,038	314	2,673	9,883
Entry into service	-	138	-	-	-	179	(317)	-
Disposals	-	-	(214)	-	(5)	-	-	(218)
Reclassifications	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Depreciation	-	(1,055)	(70)	(704)	(947)	(638)	-	(3,415)
Total changes	-	(812)	(172)	0	5,098	(145)	2,356	6,325
Historical cost	14,673	35,845	112	21,947	46,206	9,770	2,691	131,244
Accumulated amortisation	-	(24,409)	(3)	(19,708)	(38,627)	(7,672)	-	(90,420)
Balance at 31.12.2014	14,673	11,436	108	2,239	7,579	2,098	2,691	40,825
Contributions from change in scope of consolidation	-	-	-	-	-	-	-	-
Investments	-	-	1	151	858	1,630	553	3,193
Entry into service	-	-	-	-	1,022	1,607	(2,629)	-
Disposals	-	-	-	-	(3)	-	-	(3)
Reclassifications	10	79	1,764	-	-	(0)	-	1,852
Impairment losses	-	-	-	-	-	-	-	-
Depreciation	-	(556)	(41)	(272)	(1,049)	(358)	-	(2,277)
Total changes	10	(477)	1,723	(121)	828	2,879	(2,077)	2,765
Historical cost	14,683	35,935	2,682	21,953	47,702	13,007	615	136,577
Accumulated amortisation	-	(24,976)	(851)	(19,835)	(39,295)	(8,030)	-	(92,987)
Balance at 30.06.2015	14,683	10,959	1,831	2,118	8,407	4,978	615	43,590

The item at 30 June 2015 increased compared to 31 December 2014 by 2,765 thousand euro; this growth was due to the net balance of investments for 3,193 thousand euro, reclassifications for 1,852 thousand euro, disposals for 3 thousand euro, and depreciation for 2,277 thousand euro.

12. Intangible assets – 2,773,211 thousand euro

It should be recalled that, following the introduction of IFRIC 12, intangible assets also include those assets which are tied to gas distribution concessions. The breakdown and changes in intangible assets in 2013 and 2015 are shown below:

Thousands of euro	Patent and intellectual property rights	Concessions and similar rights	Concessions and similar rights - Fixed assets under construction and advances	Fixed assets under construction and advances	Other intangible assets	Goodwill	Total
Historical cost	83,748	4,985,294	12,001	1,754	50,364	151,458	5,284,618
Accumulated amortisation	(63,526)	(2,421,662)	-	-	(39,026)	(8,503)	(2,532,717)
Balance at 31.12.2013	20,223	2,563,631	12,001	1,754	11,338	142,955	2,751,901
Contributions from change in scope of consolidation	-	5,973	-	-	10	19	6,002
Investments	4,333	135,247	9,510	1,233	15,255	-	165,577
Entry into service	-	12,223	(12,223)	(793)	793	-	0
Disposals	-	(11,019)	(1)	-	-	-	(11,020)
Reclassifications	(1,112)	-	960	(960)	1,112	-	0
Impairment losses	-	(415)	-	-	-	-	(415)
Depreciation	(7,928)	(134,501)	-	-	(4,340)	-	(146,769)
Total changes	(4,707)	7,508	(1,754)	(521)	12,831	19	13,375
Historical cost	86,661	5,067,685	10,246	1,233	67,844	151,476	5,385,146
Accumulated amortisation	(71,146)	(2,496,546)	-	-	(43,675)	(8,503)	(2,619,870)
Balance at 31.12.2014	15,515	2,571,139	10,246	1,233	24,169	142,974	2,765,276
Contributions from change in scope of consolidation	-	-	-	-	-	-	0
Investments	12,915	60,477	11,201	3,307	-	-	87,900
Entry into service	-	7,700	(7,700)	-	-	-	(0)
Disposals	-	(3,267)	(11)	-	-	-	(3,278)
Reclassifications	19	(1,853)	10	-	(29)	-	(1,852)
Impairment losses	-	-	-	-	-	-	0
Depreciation	(5,584)	(65,116)	-	-	(4,135)	-	(74,835)
Total changes	7,350	(2,059)	3,501	3,307	(4,164)	0	7,935
Historical cost	99,606	5,118,205	13,747	4,540	67,744	151,476	5,455,318
Accumulated amortisation	(76,740)	(2,549,125)	-	-	(47,739)	(8,503)	(2,682,107)
Balance at 30.06.2015	22,866	2,569,080	13,747	4,540	20,005	142,974	2,773,211

Intangible assets decreased by 7,935 thousand euro compared to 31 December 2014; this decrease is due to the net balance among new investments of 87,900 thousand euro, decreases totalling 3,278 thousand euro, reclassifications of 1,852 thousand euro and amortisation of 74,835 thousand euro.

The item “Concessions and similar rights” is divided between fixed assets and fixed assets under construction and in 2014 totalled 2,571,139 thousand euro as fixed assets and 10,246 thousand euro as fixed assets under construction in 2011; in this period fixed assets amounted to 2,569,080 thousand euro and fixed assets under construction amounted to 13,747 thousand euro; the item relates to the recognition of rights which the Group claims

as concessionaire and operator of the gas distribution service, as well as one-off fees for the acquisition of concessions for natural gas distribution.

Amortisation of the expenses connected to the concessions was determined on a straight-line basis and as a function of the estimated realizable value at the end of the life of the concession, recently revised to align the probable realizable value due to the review of the useful lives of the traditional meters

Duration of concessions is measured using the same criteria adopted in the previous year.

The "Fixed assets under construction and advances" item is equal for the half year to 4,540 thousand euro; the increase during the year consist mainly of the costs incurred for the restructuring work carried out in order to reactivate certain buildings which had previously been unused: The increases in the year are equal to 3,307 thousand euro. There were no amounts carried forward from 31 December 2014.

The "other intangible fixed assets" item of 20,005 thousand euro includes miscellaneous costs of a multiple year nature including long-term costs incurred for the corporate integration process.

The "goodwill" item is equal to 142,974 thousand euro and it is related to the deficit from the merger of companies which had previously been subsidiaries. The recognition of the item took place with the agreement of the Board of Statutory Auditors.

This item was tested for impairment upon closure of the financial statements at 31 December 2014. In the first half of 2015, there were no impairment indicators, therefore the company will provide for another impairment test upon closure of the financial statements at 31 December 2015.

13. Deferred tax assets – 208,043 thousand euro and Deferred tax liabilities – 118,750 thousand euro

Deferred tax assets and deferred tax liabilities are determined on the basis of the tax rates in force at the end of the reporting period. Deferred tax assets totalled 208,043 thousand euro (257,408 thousand euro at 31 December 2014), while deferred tax liabilities totalled 118,750 thousand euro (144,181 thousand euro at 31 December 2014).

Prepaid and deferred taxes at 30 June 2015 were determined applying the following applicable tax rates: 27.5% for IRES and 4.56% for IRAP.

The steep decrease in the balance of the deferred taxes, which had a negative impact on the income statement of the company by 24,460 thousand euro, was determined pursuant to Constitutional Court ruling 10/2015 which abolished the Robin Hood Tax. This resulted in the company's obligation to adjust the deferred tax assets and liabilities to the tax rate of 27.5% (it was 34% in 2014).

In light also of the flows set forth in the most recent business plans, it is believed that the Group can use deferred tax assets in the ordinary course of its business, even if evaluations are still being made about the opportunity of activating all the procedures prescribed by law on the matter.

Thousands of euro	At 31.12.2014	Adjustments to UNICO	At 01.01.2015	Increases recognised in		Decreases recognised in		Other changes		Balance at 30.06.2015
				Profit or Loss	Equity	Profit or Loss	Equity	Profit or Loss	Equity	
Deferred income tax assets:										
allocation to provisions for risks and charges, deferred deductibility	20,056	3	20,060	1,942	0	(921)	0	(3,372)	0	17,708
allocation to provisions for exit and stock option	744	0	744	0	0	0	0	(125)	0	618
allocation to provisions for disputes	5,330	0	5,330	394	0	(241)	0	(1,106)	0	4,377
allocation to provisions for inventory obsolescence	4,352	6	4,357	0	0	0	0	(733)	0	3,625
impairment losses on deferred deductibility assets (receivables write-downs)	4,292	64	4,356	154	0	0	0	(829)	0	3,681
impairment losses on deferred deductibility assets (plant write-downs)	2,590	0	2,590	0	0	0	0	(448)	0	2,142
depreciation and amortisation of tangible and intangible assets, deferred deductibility	96,695	2	96,697	6,037	0	(660)	0	(18,401)	0	83,673
separation of land/buildings and component analysis	144	0	144	0	0	0	0	(22)	0	122
plant costs	3,114	0	3,114	0	0	0	0	(565)	0	2,548
termination and other employee benefits	3,340	0	3,340	335	0	(225)	(1)	(563)	0	2,886
cash deductible taxes and duties	16	0	16	0	0	0	0	(3)	0	13
proceeds subject to deferred taxation (connection fees)	46,934	44	46,978	20	0	(569)	0	(8,168)	0	38,261
deferred deductibility charges	65,349	3	65,352	0	0	(10,208)	0	(10,411)	0	44,733
goodwill	1,533	0	1,533	0	0	0	0	(258)	0	1,275
termination benefits - Italian Accounting Body (OCI)	2,857	0	2,857	0	0	0	0	0	(481)	2,375
derivative financial instruments (in case of net negative change in the specific equity reserve)	0	0	0	0	0	0	0	0	0	-
for losses recoverable in future years	48	(29)	19	0	0	(19)	0	0	0	0
other consolidation adjustments	17	0	17	0	0	(13)	0	0	0	4
Total	257,408	94	257,502	8,882	0	(12,856)	(1)	(45,003)	(481)	208,043
Deferred income tax liabilities:										
differences on tangible and intangible assets – additional depreciation and amortisation	38,503	0	38,503	227	0	(546)	0	(7,371)	0	30,813
differences on intangible assets – goodwill	8,086	0	8,086	0	0	(123)	0	(1,370)	0	6,593
separation of land/buildings and component analysis	5,178	0	5,178	0	0	0	0	(877)	0	4,301
allocation to assets of costs relating to company mergers	59,357	0	59,357	0	0	(1,376)	0	(6,894)	0	51,088
non-accounting deductions relating to impairment of equity investments, receivables and licenses	0	0	0	0	0	0	0	0	0	-
Termination benefits	1,257	0	1,257	0	0	0	0	(240)	0	1,017
proceeds subject to deferred taxation	4,026	0	4,026	0	0	(1,115)	0	(762)	0	2,149
derivative financial instruments (in case of net negative change in the specific equity reserve)	0	0	0	0	0	0	0	0	0	-
others...	3,184	0	3,184	22	0	(146)	0	(537)	0	2,523
ASEM - Italian Accounting Body (OCI)	0	0	0	0	0	0	0	(0)	0	0
recording of deferred taxes due to merger	23,217	0	23,217	31	0	(194)	0	(3,911)	0	19,143
other consolidation adjustments	1,372	0	1,372	0	0	(251)	0	0	0	1,122
5% dividends received allocated to future years on an accruals basis	0	0	0	3	0	0	0	0	0	3
Total	144,181	0	144,181	283	0	(3,750)	0	(21,963)	0	118,750
Net deferred tax assets	113,227	94	113,321	8,599	0	(9,106)	(1)	(23,040)	(481)	89,292

14. Equity investments – 3,329 thousand euro

The following table shows the changes in the period for each equity investment, with the corresponding values at the beginning and end of the year, as well as the list of equity investments held in associates and other companies.

Thousands of euro	Carrying amount	% ownership	Acquisitions	Disposals	Other increases	Other decreases	Adjustments	Original cost	Write-downs/Write-ups	Carrying amount	% ownership
at 30.06.2015											
Associates											
Equity Method											
Melegnano Energia Ambiente SpA	2,451	40.00%			15			2,451		2,466	40.00%
Cbl Distribuzione Srl	360	40.00%			(9)			360		351	40.00%
Other companies											
Valuation at cost											
Interporto di Rovigo S.p.A.	42	0.30%						42		42	0.30%
Fingrandia S.p.A.	26	0.58%						26		26	0.58%
Agenzia di Pollenzo S.p.A.	33	0.28%						33		33	0.28%
Industria e Università S.r.l.	11	0.10%						11		11	0.10%
Azienda Energetica Valtellina Valchiavenna S.p.A.	405	3.37%						405		405	3.37%
Terme di Offida SpA	1	0.19%						1		1	0.19%
Asogas S.p.A. in liquidazione	0	9.00%						0		0	9.00%
TOTAL EQUITY INVESTMENTS	3,329		0	0	6	0	0	3,329	0	3,334	

The following tables show the list of equity investments in the Group investees at 30 June 2015:

B) Associates	Registered office	Share capital (euro)	Equity (euro)	Revenues (euro)	Income/loss latest year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Melegnano Energie Ambiente SpA CBL Distribuzione Srl	Melegnano (MI)	4,800,000	6,430,357	5,929,979	302,797	31.12.2014	40.00%	2,451,467
	Mede (PV)	170,000	927,375	3,212,909	77,187	31.12.2014	40.00%	360,075
C) Other Companies	Registered office	Share capital (euro)	Equity (euro)	Revenues (euro)	Income/loss latest year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Interporto di Rovigo S.p.A.	Rovigo	8,575,489	6,363,993	1,425,953	(527,726)	31.12.2014	0.30%	41,634
Fingranda S.p.A.	Cuneo	2,662,507	2,072,132	2,527	(199,129)	31.12.2014	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (CN)	24,319,920	23,724,636	948,043	117,979	31.12.2014	0.28%	33,082
Industria e Università S.r.l.	Varese	13,005,000	10,852,773	-	(33,690)	31.12.2014	0.10%	10,989
Azienda Energetica Valtellina Valchiavenna S.p.A.	Offida (AP)	277,029	151,171	-	(33,666)	31.12.2013	0.19%	405,000
Terme di Offida Spa	Amandola (FM)	104,000	(152,970)	-	(16,228)	31.12.2014	9.00%	548
Asogas S.p.A. in liquidazione	-	-	-	-	-	-	0.00%	-

15. Non-current financial assets – 5,157 thousand euro

The item mainly represents the deferral of the transaction costs incurred to obtain the credit lines which were granted but had still not been used at 30 June 2015.

16. Other non-current assets – 23,991 thousand euro

The item increased by 213 thousand euro compared to 31 December 2014.

Guarantee deposits, totalling 3,135 thousand euro, refer to receivables for work to be done on distribution plant and user contract and increased thanks to the merger above.

The 1,234 thousand euro contribution receivables refer to recognition of the medium/long-term portion of receivables for plant contributions.

The tax receivables reimbursements applied for amounted to 2,079 thousand euro, of which 821 thousand euro refer to the application for refund pursuant to article 6 of Legislative Decree 185/2008 (Deduction of IRES from the IRAP portion related to the cost of labour and interests).

Prepaid expenses of 215 thousand euro include prepaid promotional expenses made in 2014 and in previous years.

Receivables for other non-current assets of 1,786 thousand euro relate to receivables due from municipalities generated by concessions and are recognised at their realisable value. The bad debt provision is shown separately.

Current assets

17. Inventories – 11,663 thousand euro

Final inventories of raw materials rose compared to the previous year by 3,869 thousand euro.

In detail, final inventories of raw materials, ancillaries and consumables mainly consist of materials for construction and maintenance of gas and water distribution plant.

The increase during the half year is due to the installation of the new electronic meters which required additional stock to be secured.

The item includes the allowance for obsolete and slow moving goods of 324 thousand euro which did not change during the period under review, established to take into account the material in stock which will be difficult to use in the future.

The cost method adopted is weighted average purchase cost.

18. Trade receivables – 126,130 thousand euro

Trade receivables amounted to 126,130 thousand euro, down by 87,492 thousand euro compared to 31 December 2014.

Receivables due from third-party customers consist of trade receivables and receivables from operations and include receivables essentially relating to gas distribution and to the invoicing of water sales.

The breakdown is set out below.

Thousands of euro			
	30.06.2015	31.12.2014	2015 - 2014
Third-party customers:			
Receivables due from customers	141,797	229,987	(88,189)
- Bad debt provision	(15,668)	(16,365)	697
Total	126,130	213,622	(87,492)

The receivables from third party customers are affected by the seasonality of the business, and the final balances have therefore decreased significantly but naturally at the accounting date.

Following is a breakdown of the movements of the provision for doubtful debts.

Thousands of euro

	30.06.2015	31.12.2014	2015 - 2014
At 1 January	16,365	17,174	(808)
Contributions from change in scope of consolidation	0	20	(20)
Allocations	1,666	1,208	380
Releases	(397)	(855)	536
Uses	(1,966)	(1,182)	(784)
At 30 June	15,668	16,365	(697)

All the Group's operations are in Italy.

19. Short-term financial receivables – 3,963 thousand euro

Short-term financial receivables of 3,963 thousand euro consisted of financial receivables due from Gestore dei Mercati Elettrici and for 335 thousand euro of receivables from dividends to be received.

The receivables from GME amounted to 3,177 thousand euro, deposited in order to enable participation in the market for the exchange of energy efficiency certificates. Compared to last year, there has been an overall increase in the item of 3,006 thousand euro.

20. Other current financial assets – 44 thousand euro

The other current financial assets are represented by accrued income for interest bearing cash deposits.

21. Cash and cash equivalents – 141,821 thousand euro

Cash and cash equivalents increased by 33,315 thousand euro, attributable to the net effect of the increase in bank deposits by 33,186 thousand euro, the increase in post office deposits and cash in hand by 129 thousand euro.

Operating cash is held in bank and post office deposits.

22. Income tax receivables – 9,772 thousand euro

Income tax receivables total 9,772 thousand euro and refer to IRES receivables of 56 thousand euro, IRES receivables related to the excess of the advances paid which were related to the additional Robin Hood Tax of 3,938 thousand euro, IRES requested as a reimbursement directly by the Group due to the failure to deduct the IRAP related to the personnel and similar expenses (pursuant to Legislative Decree 201/2011) of 4,767 thousand euro and 1,005 thousand euro for IRAP; compared to the previous year, there has been a decrease of 11,927 thousand euro almost exclusively due to the net effect of the IRES advance and the IRAP paid in June 2015.

23. Other current assets – 181,086 thousand euro

Other current assets rose compared to 31 December 2014 by 17,947 thousand euro; the increase was mainly the net result of:

- an increase in receivables from the Compensation Fund of 13,440 thousand euro mainly following the increase in receivables for achieved energy savings offset against energy efficiency certificates purchased (TEE). The item must be correlated with the payables due to the Compensation Fund shown under note 36 "Other current liabilities";
- a reduction of 2,476 thousand euro of receivables from suppliers;
- an increase of other deferrals due to the seasonality of the deferrals of concession fees paid to municipalities.

All the items have been affected by the differences in the perimeter as already mentioned above.

The item is broken down as follows:

Thousands of euro	30.06.2015	31.12.2014	2015 - 2014
Other tax receivables:			
VAT receivables reimbursements applied for	909	923	(14)
Tax receivables reimbursements applied for	435	620	(185)
Other receivables:			
from pension and insurance agencies	2,852	1,148	1,704
for plant contributions	1,736	1,722	14
from the Compensation Fund	161,401	147,961	13,440
from municipalities for disposals of asset due to expiration of concessions	4,551	3,917	634
from municipalities	291	291	0
from suppliers	638	3,114	(2,476)
Sundry receivables	2,772	3,073	(302)
- Bad debt provision	(1,115)	(1,115)	0
Accrued income	1	1	0
Deferred expenses relating to other multi-year charges	51	51	0
Deferred expenses relating to real estate lease fees	139	0	139
Deferred promotional expenses	36	37	(1)
Deferred insurance premiums	1,312	140	1,172
Other deferred expenses	5,077	1,256	3,820
Total	181,086	163,139	17,947

Liabilities

Equity

24. Equity – 617,554 thousand euro

Equity amounted to 617,554 thousand euro, down by 22,407 thousand euro in the year, due to:

- decrease in the ordinary dividend pay-out for 65,050 thousand euro;
- change in IAS reserves for 284 thousand euro;
- increase from result for the period for 41,463 thousand euro.

The share capital at 30 June 2015 is equal to 3,639 thousand euro and has been entirely subscribed and paid in; the item has not changed within the year.

Share Premium Reserves – 286,516 thousand euro

Established in 2009 during the share capital increase, it decreased during the half year due to the distribution of a dividend of 65,050 thousand euro.

Legal reserve – 728 thousand euro

The legal reserve is equal to 728 thousand euro and has increased by 108 thousand euro following the reclassification of the reserve for the shareholders contributions the share capital increase.

Capital contribution reserve – 195,192 thousand euro

The reserve for capital contributions is equal to 195,192 thousand euro and has decreased by 108 thousand euro following the above mentioned reclassification.

Other Reserves – 13,286 thousand euro

The other reserves of 13,286 thousand euro have changed downwards compared to the previous year when they stood at 79,550 thousand euro, upon completion of the equity movements from the merger with subsidiary 2i Rete Gas S.p.A. which took place on 1 January 2015, in addition to the recognition of the impact of the transition of F2i Reti Italia S.p.A. to the International Accounting standards. (now 2i Rete Gas S.p.A.).

Retained earnings – 76,731 thousand euro

Retained earnings totalled 76,731 thousand euro and increased compared to the previous year by 92,749 thousand euro due to the combined effect of the recognition of net income for the year ended 31 December 2014 (12,021 thousand euro) and the effects of the shift to

international accounting standards for the result of the previous year (80,729 thousand euro).

Net income for the year – 41,463 thousand euro

“Other revenues” in the first half of 2015 totalled 41,463 thousand euro, increasing by 69,858 thousand euro compared to the same period of 2014. We reiterate that the result of the first half of last year was significantly affected by the refinancing transaction and the consequent closure of the existing hedging derivatives.

Non-current liabilities

25. Long-term loans (including portions falling due within the next 12 months) – 2,081,177 thousand euro

The item refers to the three installments of the long-term bond loan issued in 2014 by the company as part of an overall redesign of its own financial structure aimed at improving the costs related to the payables toward third parties by decreasing the rates paid and rendering the structure itself more solid, extending the average duration and differentiating the repayment times.

The table below shows long-term debt expressed in the original currency and the relevant interest rate. The loans' notional value is the same as the carrying amount.

	Thousands of euro		Notional Value		Interest rate in vigore	Effective effettivo
	Balance 30.06.2015	Balance 31.12.2014	30.06.2015	31.12.2014		
Floating rate debt	0	210,000	0	210,000	Eur6+3.25%	5.41%
Floating rate debt	210,000		210,000		Eur3+1,05%	1.51%
Interests payable	0	4,132	0	0		
Debenture loan expiring 2019	750,000	750,000	750,000	750,000	1.75%	1.89%
Debenture loan expiring 2020	540,000	540,000	540,000	540,000	1.13%	1.35%
Debenture loan expiring 2024	600,000	600,000	600,000	600,000	3.00%	3.13%
Costs connected to loans (long term)	(18,815)	(17,200)		0		
2i Rete Gas (former F2i Reti Italia Srl) financing costs	(8)	(8)		0		
TOTAL	2,081,177	2,086,923	2,100,000	2,100,000		

The contract maturity schedule for this loan is set out below.

Thousands of euro	Notional		1 year	2 - 5 years	beyond 5 years
	at 30.06.2015	at 31.12.2014			
Medium/long-term financial liabilities					
Financing	210,000	210,000	-	210,000	-
Medium/long-term debenture loans	1,890,000	1,890,000	-	750,000	1,140,000
Total	2,100,000	2,100,000	-	960,000	1,140,000

The bond loan regulation, issued for a market of institutional investors, does not provide for covenants of any type.

Alongside this loan there continues to exist a bank loan provided by a pool of seven leading credit institutions which have yet to be used as at the reporting date.

The company therefore has at its disposal a line for cash requirements equal to 100 million euro, a line for investments totalling 300 million euro and a line that can be used only subject to the condition precedent of the completed merger with its own parent company, of an additional 210 million euro.

On 1 January 2015, the condition precedent was fulfilled and therefore the credit line became available.

The loan is subject to some conditions that as from 31 December 2014 the Company must meet every six months to continue using the credit lines. The covenants concern the following basic elements:

Total net financial debt, RAB (Regulatory Asset Base), EBITDA, and net financial charges.

At 30 June 2015 all the covenants had been complied with.

26. Termination and other employee benefits – 37,916 thousand euro

The Group provides employees with various types of benefits, including termination benefits, health service benefits, compensation due instead of notice of dismissal (*Indennità Sostitutiva del Preavviso - ISP*) and compensation due instead of energy discount.

The item includes provisions for post-employment benefits, including defined benefit plans and other long-term benefits attributable to employees by law or contract.

Pursuant to IAS 19, these “defined benefit obligations” are determined using the “Projected Unit Credit Method”, by which the liability is calculated proportionally to the service rendered at the relevant date compared to the presumed total service rendered.

Below is an analysis of the main items.

Termination benefits

Pursuant to Italian legislation, when the employment relationship ends, the employee has the right to receive termination benefits, measured as a portion for each year of service of the gross amount of compensation due for the year divided by 13.5.

Following approval of Law no. 296 of 27 December 2006 (the 2007 budget law) and subsequent decrees and implementing regulations, only portions of the termination benefits that remain available to the Company are considered as a defined benefit plan, while the accrued portions allocated to supplementary pensions and the treasury fund with INPS (Italian Social Security Agency) are considered as a defined contribution plan.

Health service

Based on the national collective agreement for executives in the industrial sector, executives have the right to health services in addition to those provided by the National Health Service both during employment and the pension period. Asem and FASI, the health service fund set up for Italian electricity industry employees, provide reimbursement of medical expenses.

27. Provisions for risks and charges – 9,385 thousand euro

Provisions for risks and charges are used to cover contingent liabilities that could arise from litigation or other disputes, without taking into account the effects of disputes that could have a positive outcome and those for which a possible charge cannot be reasonably quantified.

Long-term provisions for risks and charges (both the short-term and the medium/long-term portion) increased by 2,605 thousand euro compared to 31 December 2014.

The table below shows total provisions for risks and charges (both the short-term and medium/long-term portions) with a separate column for the short-term portion.

Thousands of euro	31.12.2014		30.06.2015							
	Of which current portion	Of which non-current portion	Allocations	Releases	Uses	Other changes	Of which current portion	Of which non-current portion	Of which current portion	Of which non-current portion
Provisions for litigation and disputes	7,765	-	7,765	1,228	(646)	(748)	-	7,599	-	7,599
Provision for taxes and duties	1,583	-	1,583	-	-	(1)	-	1,582	-	1,582
Provisions for stock option costs	-	-	-	-	-	-	-	-	-	-
Provisions for disputes with personnel	100	-	100	-	-	-	-	100	-	100
Provision for transaction costs with staff	-	-	-	-	-	-	-	-	-	-
Provision for other charges	75	-	75	-	-	-	-	75	-	75
Provision for disputes on concessions	17,206	17,206	-	2,755	-	(50)	-	19,911	19,911	-
Other provisions for risks and charges	40,532	40,455	77	3,297	-	(2,822)	-	41,007	40,977	30
Total	67,261	57,661	9,600	7,280	(646)	(3,621)	-	70,273	60,888	9,385
Provisions for charges pertaining to incentiv	1,928	1,928	-	-	-	(407)	-	1,521	1,521	-
Total	69,189	59,588	9,600	7,280	(646)	(4,028)	-	71,794	62,409	9,385

Provisions for risks and charges amounted to 71,794 thousand euro (short-term portion: 62,409 thousand euro) are broken down as follows:

- The "Provisions for litigation and disputes" contain 7,599 thousand euro as potential liabilities mainly arising from disputes and litigation underway with certain customers due too damaging events; during the half year there was a movement of 1,228 thousand euro in this item for additional allocations, offset by uses and releases, with a total of 1,394 thousand euro;
- "Provision for taxes and duties", 1,852 thousand euro, mainly for litigation relating to the tax on the occupation of public space (Tosap), the fee for temporary occupation of public space (Cosap), the municipal tax on property (ICI), and other local taxes;
- "Provisions for disputes with personnel", 100 thousand euro, to cover expected charges arising from disputes with personnel of a company acquired in previous financial years. It was not considered necessary to change it in these financial statements;
- "Provision for future charges" for 75 thousand euro.
- "Provision for disputes on concessions", 19,911 thousand euro, rose by 2,755 thousand euro following some requests made by municipalities relating to the review of the agreed concession fees; it was for 50 thousand euro for disputes;
- "Other provisions for risks and charges, "equalling 41,007 thousand euro, mainly for the risk of recalculation of certain tariff components, the residual estimates for the costs of international arbitration which have by now been concluded and finally the existing risk due to the obligation to purchase energy efficiency certificates in the amount set by the AEEGSI for 2015.
- "Provisions for charges pertaining to incentives to leave" totalling 1,521 thousand euro; they address the liabilities that may arise from agreements with the unions

signed in 2014 and 2015 as part of the corporate restructuring process and were used during the half for 407 thousand euro.

The fiscal position of the parent company has been defined up to 2011.

28. Non current financial liabilities – 0 thousand euro

The item included the portion of the long term debt from the closure of the derivatives connected to the outstanding loan until 2011, which is now zero.

29. Other non-current liabilities – 285,435 thousand euro

This item increased by 2,093 thousand euro compared to the previous year. The breakdown is set out below.

Thousands of euro	30.06.2015	31.12.2014	2015 - 2014
other payables	362	362	0
Plant contributions	49,045	49,417	(372)
Deferred income for connection fees, for property subdivision, plant transfer and network extension contributions	236,028	233,564	2,464
Total deferred income	285,435	283,342	2,093

The increase in deferred income for connection fees by 2,464 thousand euro is mostly attributable to contributions received during the year net of the portion recognised in profit or loss to hedge operating costs incurred.

Current liabilities

30. Short-term loans – 0 thousand euro

At 31 December 2014 the item included the short term financial debt to the factoring company.

31. Current portion of medium/long-term bank loans – 0 thousand euro

The item included the current portion of the medium – long term bank loans, which are currently no longer in existence.

32. Current portion of long-term provisions and short-term provisions – 62,409 thousand euro

The current portion of long-term provisions amounted to 62,409 thousand euro. Comments and details on this item are provided in the section on provisions for risks and charges (note 27).

33. Trade payables – 142,396 thousand euro

This item includes all trade and operating liabilities whose amount and due date are certain. All the payables arise from Italian transactions.

The item decreased by 41,805 thousand euro compared to 31 December 2014.

The breakdown of trade payables to third-party suppliers and group suppliers is set out below:

Thousands of euro			
	30.06.2015	31.12.2014	2015 - 2014
Suppliers	142,396	184,201	(41,805)
Total	142,396	184,201	(41,805)

The balance mainly consists of residual amount payable to companies to which gas distribution plant construction and maintenance is outsourced, of payables arising from staff and operating support services, and from the purchase of electricity and gas service for internal use. The difference compared to 31 December 2014 is due to the seasonality of the investments affecting networks and meters, the installation of which is normally concentrated around the end of the year.

34. Income tax payables – 6,733 thousand euro

The tax payables are presented net of the first payment made in June 2015.

35. Current financial liabilities – 34,153 thousand euro

The current financial liabilities refer to instalments payable on interest due for the bond loan and bank loan, which are payable within 12 months.

Thousands of euro

	30.06.2015	31.12.2014	2015 - 2014
Accrued liabilities for interest on short-term bank loans	33,634	15,611	18,023
Current portion of financial liabilities	520	0	520
Total	34,153	15,611	18,543

36. Other current liabilities – 135,895 thousand euro

Other current liabilities are set out below.

Thousands of euro

	30.06.2015	31.12.2014	2015 - 2014
other tax payables	7,518	6,645	873
payables to welfare and pension agencies	9,387	9,821	(434)
other payables	101,811	111,490	(9,679)
accrued liabilities	3,887	3,636	251
deferred income	13,292	11,589	1,703
Total	135,895	143,182	(7,286)

Other tax payables, amounting to 7,518 thousand euro, are set out below.

Thousands of euro

	30.06.2015	31.12.2014	2015 - 2014
VAT payables	3,654	993	2,661
Employee withholding taxes	3,683	3,397	285
Withholding taxes	66	104	(37)
Other taxes	115	2,152	(2,036)
Total	7,518	6,645	873

Payables to welfare and pension agencies, amounting to 9,387 thousand euro, are set out below.

Thousands of euro

	30.06.2015	31.12.2014	2015 - 2014
due to INPS	8,757	8,428	329
due to other agencies	630	1,393	(763)
Total	9,387	9,821	(434)

Other payables, amounting to 101,811 thousand euro, are set out below.

Thousands of euro

	30.06.2015	31.12.2014	2015 - 2014
Payables to employees	14,586	13,844	742
Payables to municipalities for rights and fees	5,148	5,296	(148)
Connection payables and other receivables due from customers	3,009	3,061	(52)
User guarantee deposits and advances	2,469	1,641	828
Payables to the Compensation Fund	63,721	72,896	(9,174)
Other payables	12,878	14,753	(1,876)
Total	101,811	111,490	(9,679)

The payable to the Compensation Fund consists of the items that transit through the invoicing mechanism to the trader companies which are then paid into the Compensation Fund. Compared to 31 December 2014 the decrease is mainly related to the seasonal performance of the invoicing for 2015, given an already defined Tariff Revenue Cap. Accruals and deferred income, amounting to 17,179 thousand euro, are set out below.

Thousands of euro

	30.06.2015	31.12.2014	2015 - 2014
Accrued liabilities			
Additional monthly accrual for employees	3,186	3,039	147
Other accruals	701	596	104
Total accruals	3,887	3,636	251
Deferred income			
Plant contributions	2,265	2,896	(631)
Deferred income for connection fees, for property subdivision, plant transfer and network extension contributions	8,993	7,645	1,348
Other deferred income	2,035	1,048	987
Total deferred income	13,292	11,589	1,703
Total accruals and deferred income	17,179	15,225	1,954

37. Liabilities held for sale – 0 thousand euro

The liabilities held for sale in the first half of 2015 also were zero as in the previous year.

Related party disclosures

Related parties are identified in accordance with the provisions of international accounting standards.

The following were defined as related parties for 2015:

- F2i – Fondo Italiano per le infrastrutture
- F2i – Secondo fondo Italiano per le infrastrutture
- Finavias S.à.r.l.
- Axa Infrastructure Holding S.à.r.l.
- CBL Distribuzione
- MEA S.p.A.

For purposes of comparison, the following were also considered as related parties in 2014:

- F2I SGR Spa
- Finavias S.à.r.l.
- CBL Distribuzione
- MEA S.p.A.
- Genia S.p.A. (in liquidazione)

The definition of related parties includes executives with strategic responsibilities, including their close relatives, of the Parent company as well as of the companies controlled directly and/or indirectly by them, jointly controlled companies and those in which the Parent exercises considerable influence. Executives with strategic responsibilities are those who have direct and indirect power and responsibility for planning, management, and control of Group operations, including directors.

The major trade payables and receivables are the receivables from CBL Distribuzione.

The dividends distributed of 64,922 thousand euro refer to the distribution of the 2014 results to F2i - Fondo Italiano for the infrastructures (managed by F2i sgr Spa) - Secondo Fondo Italiano for the Infrastructures (managed by F2i sgr Spa), Finavias S. à r.l. and Axa Infrastructure Holding S. à r.l.

Pursuant to art. 2427 bis of the Italian Civil Code, financial and trade transactions between the Group and related parties are part of ordinary operations and always executed according to market conditions.

Trade, financial and other transactions involving the Group, its parent companies, subsidiaries, other Group companies and the parent company's other related parties are detailed below.

Trade and other transactions

Year 2015

Thousands of euro	Trade		Costs	Trade	
	Receivables	Payables		Revenues	
CBL Distribuzione	607	(231)	-	-	-
MEA S.p.A	77	-	-	-	-
Total	684	(231)	-	-	-

Year 2014

Thousands of euro	Trade		Costs	Trade	
	Receivables	Payables		Revenues	
F2i sgr Spa	-	(36)	120	-	-
CBL Distribuzione	537	(230)	-	-	502
MEA S.p.A	77	-	-	-	18
Genia S.p.A. in liquidazione	-	(31)	(226)	-	-
Total	614	(297)	(106)	520	520

Financial transactions

Year 2015

Thousands of euro	Trade		Costs	Trade		Dividend payment
	Receivables	Payables		Revenues		
F2i – Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)	-	-	-	-	-	41,548
F2i – Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)	-	-	-	-	-	5,271
Finavias S. à r.l.	-	-	-	-	-	13,849
Axa Infrastructure Holding S. à r.l.	-	-	-	-	-	4,254
CBL Distribuzione	20	-	-	20	-	-
MEA S.p.A	315	-	-	180	-	-
Total	335	-	-	200	64,922	-

Year 2014

Thousands of euro	Financial		Costs	Financial		Dividend payment
	Receivables	Payables		Revenues		
F2i sgr Spa	-	-	-	-	-	66,750
Finavias S. à r.l.	-	-	-	-	-	22,250
CBL Distribuzione	-	-	-	20	-	-
MEA S.p.A	136	-	-	-	-	-
Genia S.p.A. in liquidazione	-	-	1	-	-	-
Total	136	-	1	20	89,000	-

38. Contractual commitments and guarantees

Guarantees provided totalled 107,823 thousand euro and referred to guarantees provided to third parties. These guarantees refer to bank guarantees (92,169 thousand euro) and to insurance guarantees (15,655 thousand euro).

These guarantees were granted in favour of maintenance and extension work for the distribution network and participation in tenders for gas distribution service management.

Finally, pursuant to paragraph 22-ter of art. 2427 of the Italian Civil Code, there are no agreements which have not been mentioned in the financial statements and that would generate significant effects on the Company's financial statements.

Contingent liabilities and assets

Contingent liabilities

There were no contingent liabilities notified at 30 June 2015.

Contingent assets

There were no contingent assets notified at 30 June 2015.

6. Market, credit, liquidity and interest rate risk

As stated in the Directors' Report, in the section concerning company risk, below are described the main financial risks that are typical of the sector in which 2i Rete Gas operates.

6.1 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, due to changes in exchange rates, interest rates or the prices of equity instruments.

Transactions that qualify for hedge accounting pursuant to the requirements of the accounting standards are designated as hedging transactions, while those that do not meet such requirements are classified as trading transactions, even though from a management point of view they have been entered into for hedging purposes.

Fair value is determined using the official prices of instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using appropriate measurement techniques for each type of financial instruments as well as market data relating to the end of the reporting period (such as interest rates, exchange rates, commodity prices and volatility), discounting expected future cash flows on the basis of the market interest rate curve at the end of the reporting period and translating

amounts in currencies other than the euro using the year-end exchange rates provided by the European Central Bank.

The notional value of a derivative is the contractual amount on the basis of which differentials are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price). Any amounts denominated in currencies other than the euro are converted into euro at the exchange rate prevailing at the end of the reporting period.

The notional amounts of derivatives reported below do not represent amounts exchanged between the parties and therefore they do not represent the Group's credit risk exposure. As for the risk of a change in interest rates, it should be noted that the Company pursues the objective of minimising interest rate risk.

Some of the 2i Rete Gas Group loans include interest rates which are index-linked to the benchmark (EURIBOR). In order to limit the risk connected to interest rate volatility, the 2i Rete Gas Group uses Interest Rate Swaps to offset fixed-rate and floating-rate debt.

The Group holds no derivative contracts for trading.

6.2 Credit risk

The 2i Rete Gas Group provides its distribution services to over 150 sales companies, the most significant of which is Enel Energia S.p.A.

No significant cases of non-compliance by the counterparties were found in 2015.

The rules for the access of users to the gas distribution service are governed by the Network Code, which, in compliance with the provisions of the AEEGSI, regulates the rights and obligations of the entities involved in the distribution service process, as well as the contractual clauses that reduce the risk of breach by the sales companies.

For the gas distribution through credit lines to external counterparties, the selection of the latter is carefully monitored through assessment of the credit risk associated with them and the requirement for appropriate guarantees and/or guarantee deposits aimed at ensuring an adequate level of protection from the risk of counterparty default.

The credit risk is therefore moderate.

A summary quantitative indication of the maximum exposure to credit risk is provided by the carrying amount of the financial assets gross of the related bad debt provision.

At 30 June 2015, the Group's maximum exposure to credit risk amounted to 495 million euro (534.5 million euro at 31 December 2014):

Millions of euro

	30.06.2015	31.12.2014	2015- 2014
Third parties:			
Non-current financial assets	5.2	8.0	(2.8)
Other non-current financial assets	24.0	23.8	0.2
Trade receivables	141.8	230.0	(88.2)
Cash and cash equivalents	141.8	108.5	33.3
Other current assets	182.2	164.3	17.9
Total	495.0	534.5	(39.5)

The receivables from the Compensation Fund for TEE included under "Other receivables" which mature later than 2015, have been measured at their redemption value as this has been set by AEEGSI.

6.3 Liquidity risk

The 2i Rete Gas Group is able, based on the current financial structure and the cash flows expected and set forth in the business plans, to autonomously provide for the financial needs of its ordinary operations and to ensure business continuity.

The credit lines granted in July 2014 to the Parent Company by a group of 7 leading banks have been backed by further short-term credit lines in order to improve the Company's flexibility in daily management of working capital.

For the purposes of correct statement of liquidity risk as required by IFRS 7, the features of Company debt are set out below.

The contractual maturities of the financial liabilities as at 30 June 2015 are set forth below:

Millions of euro	Within next year	Between 2 and 5 years	Beyond 5 years
Financial liabilities at 30 June 2015			
Long-term loans		210.0	
Medium/long-term debenture loans		750.0	1,140.0
Short-term loans	-		
Short-term payables due to banks	-		
Other long-term financial liabilities			
Other short-term financial liabilities	34.2		
Current financial liabilities			
Total	34.2	960.0	1,140.0

For comparative purposes, the contractual maturities of the financial liabilities at 31 December 2014 are set forth below:

Financial liabilities

Millions of euro	Within next year	Between 2 and 5 years	Beyond 5 years
Financial liabilities at 31 December 2014			
Long-term loans	214.1	0.0	0.0
Medium/long-term debenture loans		750.0	1,140.0
Short-term loans	7.8		
Short-term payables due to banks			
Other long-term financial liabilities			
Other short-term financial liabilities	15.6		
Current financial liabilities			
Total	237.5	750.0	1,140.0

Forecasting of liquidity requirements is carried out on the basis of expected cash flows from ordinary operations.

During 2014, three instalments of a fixed rate bond loan were issued by the company, a 5 year instalment of 750 million euro, a 10 year instalment of 600 million euro and finally a 540 million euro tranche maturing in five years.

All the issues are priced in line with the best market benchmarks.

Concurrently, the prior loan stipulated in 2011 was closed and the existing derivatives attached to it were settled. New lines of credit were obtained from a pool of 7 major banks to support the company's operations.

Indeed, as from July 2014, the Group has secured credit lines which were originally granted in the amount of 1,750 million euro.

Of these, at 30 June 2015 a 210 million euro credit line, completely used, a total of 300 million euro to finance investments on the grid for future years (unused at 30 June 2015), and a revolving credit line of 100 million euro for management of working capital (unused at 30 June 2015) were still existing.

It should be noted that this loan is subject to a half-year check on some financial parameters at consolidated level.

At 30 June 2015 these parameters were fully complied with.

For an in-depth analysis of the features of the long-term loans, see note 24 herein.

We note finally that in the month of June 2014, the Parent Company obtained an "investment grade" credit rating from two rating agencies.

In June 2015, as part of the annual ratings review by Standard and Poors and Moody's, the company presented to the two rating agencies the progress of its own business and the fundamental parameters underlying its financial strength. Upon completion of that review, both companies confirmed the rating attributed in 2014 (respectively BBB Stable Outlook and Baa2 Stable Outlook) increasing S&P's rating of the "liquidity profile" from "adequate" to "strong" thereby confirming the stability of the course undertaken by the company.

As a result of the above, the Group secured significant savings on the cost of its debt which is reflected in the financial statements at 30 June 2015 and will continue to do so in the upcoming years.

6.4 Interest rate risk

The market management, namely the management of interest rate risk aims to achieve a debt structure able to decrease the financial debt that is subject to changes in interest rates and to minimise the cost of loans, thereby limiting the volatility of the results.

The issue of the fixed rate bond loan in three instalments which took place during the year in the amount of 1,890 million euro has ensured achievement of both results (reduction of the debt subject to changes in interest rates and minimisation of the funding cost) while also securing an extension of the debt itself and above all differentiation of the repayment of the individual instalments issued.

In compliance with the requirements of IFRS 7, we hereby provide a table indicating the financial assets and liabilities with the related book values and fair values. We hereby specify that the company holds neither held-to-maturity financial assets nor financial assets held for sale or for trading.

Thousands of euro	carrying amount					Fair value
	Notes	Derivatives	Loans and receivables	Other financial liabilities	Total	
Financial assets measured at fair value						
Financial assets not measured at fair value						
Non-current financial assets	15		5,157		5,157	5,157
Other non-current financial assets	16		23,777		23,777	23,777
Trade receivables	18		126,130		126,130	126,130
Short-term financial receivables	19		3,963		3,963	3,963
Other current financial assets	20		44		44	44
Cash and cash equivalents	21		141,821		141,821	141,821
Other current assets	23		174,471		174,471	174,471
TOTAL ASSETS		-	475,362	-	475,362	475,362
Financial liabilities measured at fair value						
IRS derivatives	35	-			-	-
Financial liabilities not measured at fair value						
Long-term loan	25-31					
Medium/long-term debenture loans	25			2,081,177	2,081,177	1,939,598
Financial liabilities for Unwinding IRS	28-35			520	520	-
Other non-current liabilities	29			362	362	362
Short-term loan	30			-	-	-
Trade payables	33			142,396	142,396	142,396
Current financial liabilities	35			33,634	33,634	33,634
Other current liabilities	36			116,714	116,714	116,714
TOTAL LIABILITIES		-	-	2,374,802	2,374,802	2,232,703

In order to enable comparison, we propose the same table as the one used in the previous year.

Thousands of euro	carrying amount					Fair value
	Notes	Derivatives	Loans and receivables	Other financial liabilities	Total	
Financial assets measured at fair value						
Financial assets not measured at fair value						
Non-current financial assets	15		7,993		7,993	7,993
Other non-current financial assets	16		23,547		23,547	23,547
Trade receivables	18		213,622		213,622	213,622
Short-term financial receivables	19		957		957	957
Other current financial assets	20		26		26	26
Cash and cash equivalents	21		108,506		108,506	108,506
Other current assets	23		161,654		161,654	161,654
TOTAL ASSETS		-	516,305	-	516,305	516,305
Financial liabilities measured at fair value						
IRS derivatives	35	-			-	-
Financial liabilities not measured at fair value						
Long-term loan	25-31					
Medium/long-term debenture loans	25			2,086,923	2,086,923	2,190,763
Financial liabilities for Unwinding IRS	28-35			-	-	-
Other non-current liabilities	29			362	362	362
Short-term loan	30			7,791	7,791	7,791
Trade payables	33			184,201	184,201	184,201
Current financial liabilities	35			15,611	15,611	15,611
Other current liabilities	36			124,118	124,118	124,118
TOTAL LIABILITIES		-	-	2,419,006	2,419,006	2,522,846

With regard to the financial assets that are not measured at fair value, and the trade payables and other current liabilities, the book value is considered to be a reasonable approximation of the fair value, as it is set forth in the tables above.

To determine the fair value of the bond loan, the Group has used the market valuations at 30 June 2015.

7. Significant events after the reporting period

Law 125/2015 which entered into effect on 15/08/2015 suspended, as from 1 December 2015, the Gas Fund, a mandatory supplementary fund for invalidity, old age and survivors insurance for the employees of private gas companies, as per law 1084 of 6 December 1971, as it has been subsequently amended.

For coverage of the expenses relating to the supplementary pensions existing at the time that the Gas Fund was discontinued, the law established an extraordinary contribution to be made by the private gas companies of 351,646 euro for 2015, 4,219,748 euro for 2016, 3,814,309 euro for 2017, 3,037,071 euro for 2018, 1,831,941 euro for 2019 and 110,145 euro for 2020.

The criteria for distribution among the aforementioned employers of the expenses related to the extraordinary contribution, as well as the times and procedures for payment of the contribution to the INPS will be established by a decree to be issued

by the Minister of Economic Development jointly with the Minister of Labour and Social Policies and the Minister for the Economy and Finance.

The exact effect this will have on 2i Rete Gas will therefore be quantifiable upon conclusion of said implementing decree.

The law also provides for employers to pay on behalf of the persons registered in the programme who will not be able to receive a pension from this cancelled Gas Fund an additional amount, equal to 1% of the social security contribution payable into the Gas Fund for 2014, for each year those persons were registered with the Fund; this amount may be left with the employer to be disbursed upon termination of employment or it can be added to the complementary pension plan.

The company carefully monitors the evolution of this law so as to ensure that the economic and financial impact it will have is timely reflected.

Direction and coordination

Upon conclusion of the merger at 1 January 2015, the Parent Company carries out the management and coordination of subsidiaries Italcogim Trasporto S.r.l., Gp Gas S.r.l. and Genia Distribuzione S.p.A., while no company manages and directs 2i Rete Gas.

XI. Corporate Governance

Organisational and Management Model

Legislative Decree 231 of 8 June 2001, which covers the "administrative responsibility of legal persons, companies and associations, including those without a legal personality," introduced, for the first time, into the Italian legal system a form of administrative responsibility to be borne by legal persons, for crimes committed by individuals who are permanently employed within the entity's organization.

The central aspect of the legal discipline of this Decree is represented by the adoption and real implementation, for the company's exemption from liability, of a "Organisation, Management and Control Model" which provides "in relation to the nature and size of the organization, as well as the type of operations carried out, appropriate measures that guarantee that the operations are carried out in full respect of the law, covering and speedily eliminating risk situations" (article 7 paragraph 3).

The adoption of the Organisation, Management and Control Model was resolved upon by the BoD of F2i Reti Italia S.r.l., tax identification code, VAT number and Milan Business Registry registration number 06724610966 on 23 December 2014, effective from 1 January 2015.

The adoption of the current model was required due to the efficacy on the same date of the merger by incorporation into the holding company F2i Reti Italia S.r.l. of the subsidiary 2i Rete Gas s.p.a. with tax identification code, VAT number and Milan Business Registry registration number 00736240151, the second largest operator in Italy in the gas distribution sector, with concurrent transformation of F2i Reti Italia S.r.l. from a limited liability company into a joint stock company with the incorporated company assuming the name "2i Rete Gas S.p.A."

As the incorporating company took over the industrial operations and organizational structure of the incorporated company, the Board of Directors considered appropriate to acknowledge the experience it had gained by adopting the relevant Organisation, Management and Control Model. This model was initially approved by the Board of Directors of the incorporated company on 16 March 2011 and underwent subsequent updates as the law and corporate structure evolved, the last one being on 13 December 2013.

The model aims to track the sensitive or risky corporate processes and the related organizational safeguards, precautions and controls in existence, which aim to eliminate the so-called risk of crime, and intends to ensure that the management of the company takes place according to the principles of legality, correctness, transparency and traceability, according to efficient work practices which are compliant with the abovementioned law.

The model consists of a “general section” and individual “special sections” detailing the different types of crimes listed in Legislative Decree no. 231/2001 and subsequent amendments.

The model calls for the identification of operational areas considered “at risk” of crime pursuant to Legislative Decree no. 231/2001 and the setting up of procedures for them, including monitoring, allowing for prompt intervention to prevent or take action against the committing of such crimes.

Code of Ethics

The Code of Ethics, which is inspired by awareness of the social and environmental implications inherent in the activities undertaken by the Group companies together with the consideration of the importance played by a cooperative approach with stakeholders, sets out in detail the principles of ethics and conduct which the company, its subsidiaries and the respective employees and collaborators are required to adopt and comply with in carrying out their work. In particular, the founding principle of the Group’s Code of Ethics is that of reaffirming as the primary interest of the Company’s actions that of maintaining and enhancing the relationship of trust with its stakeholders, facilitating investments by shareholders and investors, the loyalty of customers, attracting the best staff, a stable and strong relationship with suppliers, and reliability towards creditors, and -internally – helping to create a peaceful and stimulating work environment, to allow full use of the Group’s human potential and to allow the company to assess, take and implement strategic and organisational decisions with clarity, correctness, honesty and speed.

The Board of Directors considered appropriate to also acknowledge the experience gained by the incorporated company 2i Rete Gas S.p.A. and adopted the contents of its code of ethics for its own Code of Ethics which was approved by the Board of Directors on 23 December 2014, with effect from 1 January 2015.

2i Rete Gas S.p.A.
Chief Executive Director
Michele Enrico De Censi

XII. Report of the Independent Auditors



REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the board of directors of
2I RETE GAS SpA

Foreword

We have reviewed the accompanying consolidated interim financial statements of 2I RETE GAS SPA and its subsidiaries (2I RETE GAS Group) as of 30 June 2015, comprising the income statement, statement of comprehensive income, balance sheet, cashflow statement, dal prospetto delle variazioni del patrimonio netto and related notes. The directors of 2I RETE GAS SPA are responsible for the preparation of the consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of 2I RETE GAS Group as of 30 June 2015 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

PricewaterhouseCoopers SpA

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Other aspects

Previous year's consolidated annual and interim financial statements audited and reviewed by other auditors

The consolidated financial statements as of and for the year ended 31 December 2014 and the consolidated interim financial statements as of and for the six months ended 30 June 2014 were audited and reviewed, respectively, by other auditors who expressed an unqualified opinion on the consolidated financial statements on 13 April 2015 and an unqualified conclusion on the consolidated interim financial statements on 26 September 2014.

Milan, 29 September 2015

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers